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# CITY OF BOSTON



Operating Budget Fiscal Year 2003

Capital Plan Fiscal Years 2003 - 07


THOMAS M. MENINO, MAYOR

BOSTON CITY HALL

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**RECOMMENDED  
BUDGET**  
Volume I





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City of Boston

Thomas M. Menino, Mayor

Operating Budget Fiscal Year 2003

Capital Plan Fiscal Years 2003-2007

## Volume I - Overview of the Budget





# **Thomas M. Menino, Mayor**

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GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished  
Budget Presentation  
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PRESENTED TO

**City of Boston  
Massachusetts**

For the Fiscal Year Beginning

**July 1, 2001**

*Thomas A. Gruwe*

President

*Jeffrey R. Emer*

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award of Distinguished Presentation to the City of Boston for its annual budget for the fiscal year beginning July 1, 2001.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communication device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.











# Table of Contents

## Volume I Overview of the Budget

Letter of Transmittal: Thomas M. Menino, Mayor

Executive Summary 1

Summary Budget 5

City Council Orders 31

Revenue Estimates and Analysis 89

Innovations in Education 101

Budget and Performance Goals 111

Financial Management of the City 117

Capital Planning 129

Statutes and Ordinances Governing Boston's Operating and Capital Budgets 143

Boston's People and Economy 155

Budget Organization and Glossary of Terms 161





CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR  
THOMAS M. MENINO

April 9, 2002

TO THE CITY COUNCIL

Dear Councilors:

I transmit herewith my Recommended Budget for Fiscal Year 2003 for the City of Boston and County of Suffolk. The Recommended Operating Budget totaling \$1.8 billion is less than one percent greater than the Fiscal Year 2002 Budget.

This year, balancing the city budget was particularly challenging due to the anticipated massive cut in state aid, our second largest source of revenue. You will note that the budget increase for this year is the smallest increase in the last decade. Despite the challenges faced during its formulation, the Recommended Budget for Fiscal Year 2003 as submitted is soundly balanced within the City's available resources.

With almost no revenue growth over FY02 and rising fixed costs, all departments have been impacted. This budget represents some tough choices, and is the result of a comprehensive review of existing revenues and expenditures. It provides a responsible allocation of the City's available resources.

Boston's challenges are not unique. Every city across this country is feeling the impact of these difficult times. Even though the era of surpluses and increased revenue has ended, it does not mean that we can stop planning for Boston's future. The City has to work harder, smarter, and better to move things forward, and the Recommended Budget for FY03 represents a solid foundation on which we can build for the future. New revenue streams, such as a one percent meals tax and rent for telecommunications companies to use the City's right of way, are an integral part of planning for the future.

This budget reaffirms my commitment to the basic needs and services that make city living worthwhile. It reflects consolidations that allow the City to work harder and smarter to move Boston forward. These changes contribute to the better coordination of crosscutting City programs and the continual improvement of service delivery.

I look forward to working with you during this process and I respectfully request your favorable action on the Fiscal Year 2003 Operating Budget and the Five Year Capital Plan for FY03 to FY07.

Sincerely,

Thomas M. Menino  
Mayor of Boston







## Executive Summary





# Executive Summary

## INTRODUCTION

The FY03 Recommended Operating Budget of \$1.8 billion represents less than a one percent increase over FY02. This is the smallest increase in the City's budget over the last decade. The FY03 Recommended Budget reflects some tough choices, but is the result of an informed, comprehensive review of existing expenditures and revenues, and provides a responsible allocation of the City's available resources. The result after countless hours of hard work is that the FY03 Recommended Budget protects the City's priorities and allows the City to preserve the foundation of essential municipal services as well as plan for the future. The FY03 Recommended Budget is soundly balanced based on reasonable assumptions.

This year's Five Year Capital Plan totals \$1.4 billion and includes \$65.3 million in new FY03 authorizations. Boston's Five Year Capital Plan continues to be an investment program for the City's future. The City's Five Year Capital Plan has been consolidated with the Operating Budget to present a complete picture of the City's resources and strategic financial plan.

## Summary of Additional Resources

The FY03 Recommended Budget is only \$12.7 million greater than the FY02 Budget. For FY03, the City is anticipating a significant cut in state aid allocated to Boston through the State FY03 budget process. State aid, which is the second largest source of revenue for the City, plays a large role in determining city revenues. The City's largest revenue source, the property tax levy, however, continues to grow. Net property tax revenues are projected to grow by 6.3 percent in FY03. Other economically sensitive revenue streams show minimal budgetary adjustments from the FY02 Budget. With the anticipated state aid loss in excess of the increase in the net property tax levy, the City was presented with a

difficult revenue challenge. Available revenues provide the basis for planning the FY03 appropriations and fixed costs.

For the first time since FY92, the City budget assumes an appropriation of Budgetary Fund Balance of \$12 million. Also referred to as "free cash," this item is most simply described as an estimate of the available reserves that the City can responsibly appropriate for spending. The appropriation of Budgetary Fund Balance represents less than one percent of the FY03 Recommended Budget.

The FY03 Recommended Budget maximizes the resources the City has and recommends some new sources of revenue. New revenue sources include a one percent meals tax and rent for telecommunications companies to use the City's rights of way. Since City and State legislative action is required, the FY03 Recommended Budget does not assume revenue derived from these new sources in FY03.

Figure 1 illustrates the changes in revenue for the FY03 Recommended Budget.

On the expenditure side, the FY03 Recommended Budget reflects a \$1.2 million decrease for departmental appropriations and a \$13.8 million, or 4.4 percent increase for fixed costs (pensions, debt service and state assessments) for a total expenditure increase of \$12.7 million (Figure 2). Careful debt management and continued adherence to a pension funding schedule has kept fixed cost increases manageable.

A detailed discussion of the City's revenues and expenditures can be found in the Summary Budget chapter.

## Boston's Economy

The City's economic base makes it nearly impossible to avoid a national recession altogether. During the recession of 2001 – 2002,

which is likely one of the mildest of the post-war era, the Boston area economy held firm based on its strong property values and its diverse and

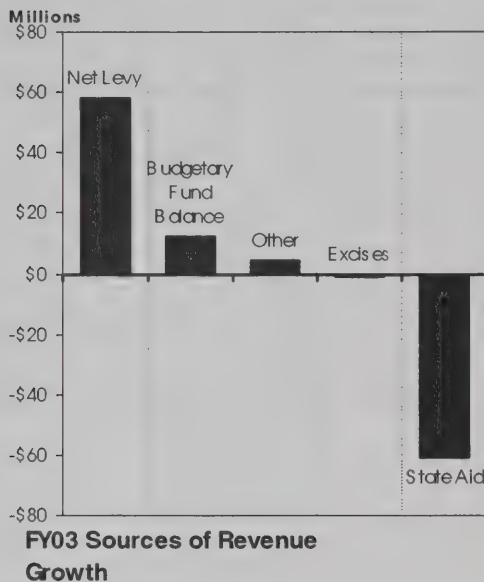


Figure 1

educated workforce. Even the travel and tourism industries, which were possibly affected more deeply after the September 11, 2001 attacks, are making progress toward a solid recovery. Overall, the Boston area's economy still remains well balanced and well positioned in sectors with growth potential such as technology and biotech.

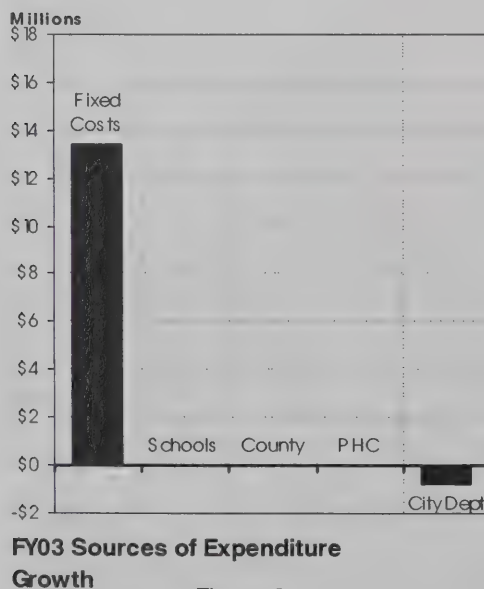


Figure 2

The City's long history of balanced budgets, prudent fiscal policies, and a conservatively

structured debt position with manageable future borrowing needs continues to serve the City well. In February 2002, the City's bond rating was affirmed by Moody's Investors Service at Aa2, the City's highest bond rating. This affirmation reflects the rating agency's confidence in the City's ability to manage through the current economic cycle. Moody's Investors Service increased the City's bond rating from Aa3 to Aa2 in February 2001. Moody's upgrade came one year after Standard & Poor's Rating Service upgraded the City's bond rating from A+ to AA- in January 2000. Credit quality is analyzed to determine the interest rate that should be paid for a municipality's bonds. A higher credit rating translates into real dollar savings for the City.

The high priority City management places on adopting and carefully implementing sound fiscal policies ensures that a slowing economy will not affect the City's ability to preserve budgetary balance.

### FY03 - Budget Process

To address an anticipated tighter revenue picture for FY03, the City began its budget process earlier. All departments were asked to submit zero-based budget requests. This was an adjustment to budgetary culture after many years of steady revenue growth and program expansions. The City has also prudently used FY02 to adjust to fiscal change by taking such steps as adding additional staffing controls.

Primarily due to the anticipated cut in state aid, at the beginning of the budget formulation process there was a considerable gap between expected revenues and expenditures. The loss in state aid when combined with increases in fixed costs resulted in the necessity of reducing departmental spending for FY03. The FY03 Recommended Budget has largely succeeded in shielding essential services from the impact of shrinking revenues by reducing discretionary program expenditures. In addition, the FY03 Recommended Budget freezes all non-union management salaries. City departments deserve praise for shifting resources to meet critical needs. The budget makes cuts in valuable city services in order to mitigate the impact on core priorities like education and public safety.



The FY03 Recommended Budget does its best to preserve jobs. However, it was necessary during this difficult process to eliminate positions, many of which were vacant, from departments. This adjustment represents a responsible down-sizing within the confines of available resources.

A more detailed discussion can be found in the Summary Budget chapter.

## **PRESERVING THE FOUNDATION, PLANNING FOR THE FUTURE**

At the beginning of his third term, Mayor Menino continues to take a number of innovative steps to improve City government. In order to make the most of scarce resources, the FY03 Recommended Budget includes functional consolidations and lower cost service alternatives to improve the efficiency and effectiveness of City government. The financial context for FY03 challenged the City to rethink existing programs, realize efficiencies, and pursue new opportunities and partnerships. The FY03 Recommended Budget reflects reinventions that will move Boston forward for tomorrow. Table 1 provides an outline of decisions included in the FY03 Recommended Budget that will better serve the citizens of Boston in these difficult financial times.

In addition, during FY03 the Mayor will assign management evaluation teams to review additional service delivery systems and outcomes across City departments.

Additional information can be found in the Summary Budget and the FY03 Budget and Performance Goals chapters.

## **FY03 Decisions Preserving the Foundation, Planning for the Future**

**Create Boston Center for Youth & Families**  
Realigned services provided by BCC, Community Partnerships, Recreation and the 2:00 to 6:00 Initiative  
Coordinated programming to improve community access and information

**Maintain City's Commitment to Summer Jobs**  
Preserved level funding  
Expanded commitment from private partners

**Sustain Commitment to Education**  
Preserved focus on teaching and learning  
Maintained schedule of planned class size reductions

**Deploy Public Safety Resources Strategically**  
Reassigned uniform police personnel to the neighborhoods  
Preserved public safety in the City

**Purchase Utility-Owned Street Lights**  
Enhanced street lighting service  
Realized cost savings

**Implement Lower Cost Alternative for Towing Operations**  
Contracted out all city towing  
Established controls to ensure accountability

**Streamline Property Management & Capital Construction Efforts**  
Realized synergies to ensure quality of public assets  
Increased accountability

**Integrate Code Enforcement with the Inspectional Services Department**  
Improved compliance with health and safety regulations

**Integrate Mural Crew into the Office of Cultural Affairs**  
Enhanced coordination of public art

**Establish Development Office Within the Mayor's Office**  
Coordinated citywide fundraising efforts  
Targeted corporate sponsorships

Table 1

## **Budget Document Structure**

The Operating Budget for FY03 and Five Year Capital Plan for FY03-07 is presented in three volumes.

Volume I is an overview of the City's financial position and policy direction.

Volumes II and III, which are organized by cabinet, present the budget detail for each department's operating budget and capital authorizations. Refer to the chapter on Budget Organization and Glossary for an illustration of the City's organizational chart.

The City's Operating Budget is built at the program level for each department, which is the basis for budget planning. However, line item detail is only provided in this budget document at the department level. Program line item detail is available upon request.

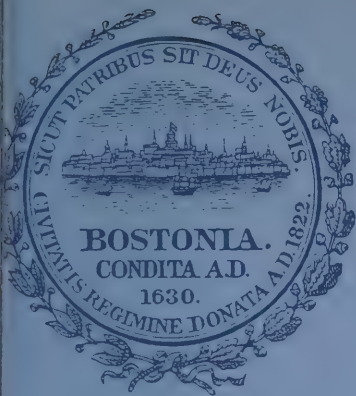
In addition to line item expenditures, Volumes II and III provide a mission statement, key objectives, as well as past and promised performance levels for each department. For those departments with capital projects, a project profile is provided for every capital project, which includes authorization information as well as planned spending levels.

Definitions of the terms used throughout the budget document are presented in the glossary, which can be found in the chapter titled Budget Organization and Glossary.

## **Technical Note**

The City of Boston's combined FY03 Operating Budget and FY03-FY07 Capital Plan was published using Microsoft Word 2000. Graphics were generated using Microsoft Excel 2000. Hyperion Pillar 4.6.2, and Microsoft Access 97 were used for data management and analysis.

All production was done within the Office of Budget Management. Document production assistance was provided by the City of Boston Graphic Arts Department and the Boston Redevelopment Authority. Technical development and support was provided by MicroData Group, Inc.



# Summary Budget

FY03-FY04





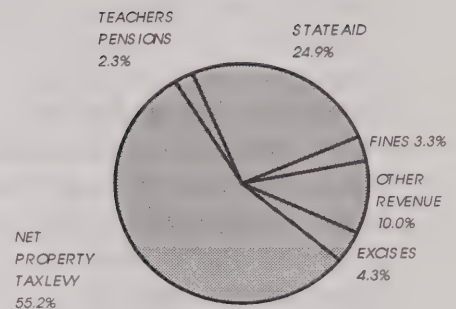
# Summary Budget

## OVERVIEW

The FY03 Budget of \$1.770 billion in recurring revenue represents a \$0.7 million increase over the FY02 Budget supported by recurring revenues. Included in the total FY03 Budget is \$1.9 million in non-recurring revenue and expenditures and \$12.0 million in revenue from budgetary fund balance. In total, FY03 Budget revenues are \$1.784 billion, an increase of \$12.7 million or 0.7% over FY02. This Summary Budget section lays out the FY03 Budget and discusses trends in each category of the summary budget table. A detailed look at personnel trends as well as a review of major externally funded services is also presented. Finally, a projection of the major FY04 Budget categories will provide an informative look ahead.

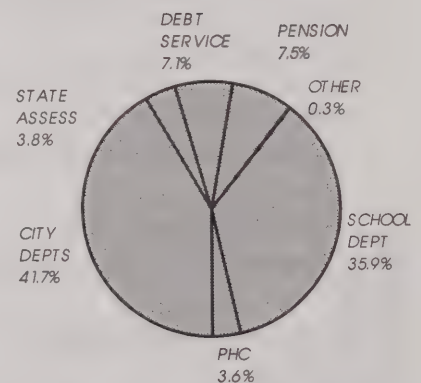
The FY03 budget is void of revenue growth as any source of growth has been eclipsed by a \$60 million projected decline in state aid. While the FY03 Budget proposed by the Governor in January 2002 provided for some growth in aid to cities and towns, the state's continuing revenue shortfalls of late have made funding even those small increases unlikely. The House Ways and Means Chairman stated in a letter to local officials that they should expect a 10% across the board cut in local aid from FY02 Cherry Sheet figures. To counteract these potential cuts and provide for future revenue growth, the City has taken steps to increase revenue in several key areas, see the *Financial Management* chapter of this volume for more detail.

This revenue situation provides the basis for planning FY03 appropriations and fixed costs to maintain a balanced budget. Selected FY03 Budgeted revenues compare with FY02 Budgeted revenues as follows: the net property tax levy increases \$58.2 million or 6.3%; excises decrease 1.5%; interest on investments increases \$1 million or 6.1%; miscellaneous department revenues and licenses and permits are level; and state aid decreases \$60.9 million or 12.1%.



**FY03 Estimated Recurring Revenue**

**Figure 1**



**FY03 Estimated Expenditures of Recurring Revenue**

**Figure 2**

On the expenditure side of the budget, total departmental appropriations, including \$1.9 million in non-recurring expenditures, decrease by \$700,000 or 0.1% and fixed costs increase by \$13.8

# CITY OF BOSTON BUDGET SUMMARY

(Dollars in Millions)

	FY00 Actual	FY01 Actual	FY02 Budget	FY03 Budget
<b>REVENUES</b>				
Property Tax Levy	866.21	917.92	972.23	1,018.54
Overlay Reserve	(41.23)	(43.91)	(46.30)	(34.44)
Excises	68.91	72.66	77.02	75.86
Fines	55.94	59.77	59.01	59.67
Interest on Investments	21.89	26.08	15.55	16.50
Payments In Lieu of Taxes	18.89	25.95	18.93	24.46
Urban Redevelopment Chapter 121A	37.65	46.88	38.86	40.84
Misc. Department Revenue	36.01	45.08	39.87	39.84
Licenses and Permits	28.63	37.81	23.80	23.96
Penalties & Interest	10.62	8.03	8.48	8.25
Available Funds	6.67	8.36	11.78	11.85
State Aid	474.93	483.78	505.16	444.24
Teachers Pension Reimbursement	38.75	41.39	45.30	40.77
<b>Total Recurring Revenue</b>	<b>1,623.86</b>	<b>1,729.78</b>	<b>1,769.68</b>	<b>1,770.34</b>
Non-Recurring Revenue	0.00	0.00	1.88	1.88
Budgetary Fund Balance	0.00	0.00	0.00	12.00
<b>Total Revenues</b>	<b>1,623.86</b>	<b>1,729.78</b>	<b>1,771.56</b>	<b>1,784.21</b>
<b>EXPENDITURES</b>				
City Departments	671.57	726.34	746.61	745.87
Public Health Commission	58.21	62.14	63.90	63.90
County	6.12	6.53	4.84	4.84
School Department	579.18	611.93	639.73	639.73
Reserve for Collective Bargaining	8.50	12.50	0.42	0.00
<b>Total Appropriations</b>	<b>1,323.59</b>	<b>1,419.43</b>	<b>1,455.49</b>	<b>1,454.33</b>
Pensions	128.59	127.48	129.75	134.43
Debt Service	96.48	106.18	118.81	126.97
State Assessments	66.99	66.79	67.51	68.49
Reserve	0.00	1.28	0.00	0.00
<b>Total Fixed Costs</b>	<b>292.07</b>	<b>301.72</b>	<b>316.07</b>	<b>329.89</b>
<b>Total Expenditures</b>	<b>1,615.66</b>	<b>1,721.16</b>	<b>1,771.56</b>	<b>1,784.21</b>
<b>Surplus (Deficit)</b>	<b>8.20</b>	<b>8.63</b>	<b>0.00</b>	<b>0.00</b>

Numbers may not add due to rounding

Summary Budget



million or 4.4%. Selected budgeted FY03 appropriations compare with budgeted FY02 appropriations as follows: city departments, excluding nonrecurring expenditures, decrease \$700,000 million or 0.1%; the Boston Public Health Commission, the City's maintenance of effort requirement for the Sheriff's Department, and School Department are all level-funded. Budgeted FY03 fixed costs compare with budgeted FY02 fixed costs as follows: pensions increase \$4.7 million or 3.6%; debt service increases \$8.2 million or 6.9%; and state assessments increase \$1 million or 1.5%. (Figure 2.)

## REVENUE

Consistent revenue growth has allowed the City to record 16 consecutive operating budget surpluses through FY01. Moderate revenue growth in FY02 will likely put the City in a position to show no surplus by fiscal year close. (Figure 3.)

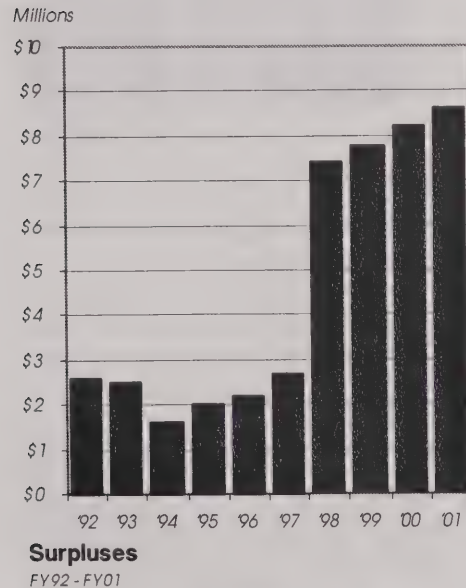


Figure 3

The FY02 Budget is balanced on the following revenue projections.

## Property Tax Levy

A detailed discussion of the property tax levy is provided in the Revenue Estimates and Analysis chapter of this volume. Below is a brief summary.

The property tax levy has been the City's most dependable source of major revenue growth during the past eighteen years. The increases were steady and consistent from FY85 to FY02, ranging from

\$28 million to \$55 million. However, because of the increasing property tax levy base, the \$29.9 million increase in FY85 represented an 8.9% increase, while the \$54.3 million increase in FY02 represented only 5.9% growth. Property tax levy growth is fundamental to the financial health of the City since it provides over half of all City revenue.

Proposition 2 1/2 has been the overwhelming factor affecting the City's property tax levy since being passed in 1980. Proposition 2 1/2 limits the property tax levy in a city or town to no more than 2.5% of the total fair cash value of all taxable real and personal property. It also limits the total property tax levy to no more than a 2.5% increase over the prior year's total levy with certain provisions for new growth and construction. Finally, Proposition 2 1/2 provides for local overrides of the levy limit and a local option to exclude certain debt from the limit. The City of Boston, however, has not voted to either override the levy limitations or to exclude any debt from the limit.

In each year since FY85, the City has increased its levy by the allowable 2.5%. During these same years, the levy has also been positively impacted by taxable new value. Taxable new value is expected to be \$22 million in FY03. The combined effect of the allowable 2.5% increase and the taxable new value is an average annual levy increase from FY98 through FY01 of \$44.9 million or 5.2%, and a

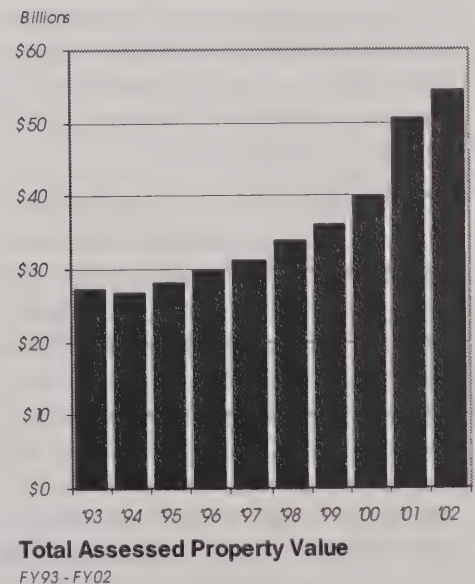


Figure 4

projected increase in FY03 of \$46.3 million or 4.8%. The property tax levy totaled \$866.2 million in FY00, \$917.7 million in FY01, and \$972.2 million in FY02. The property tax levy is estimated to crest \$1 billion to \$1,018.5 million in FY03.

Property values in Boston have been rising steadily. During FY01, the City conducted the seventh parcel-specific revaluation that established values as of January 1, 2000 at \$50.5 billion, an increase of 26% over the prior year's market indexed valuation of \$39.9 billion. The January 2001 market indexed valuation of \$54.2 billion shows still increasing values but at a decreasing rate of 7.3% (Figure 4.)

## Excises

The Commonwealth imposes an excise on the registration of motor vehicles, the proceeds of which are received by the municipality of residence of the registered owner of each vehicle. The excise is a uniform rate of \$25 per \$1,000 of vehicle valuation. Valuations are determined by a statutory depreciation schedule based on the manufacturer's list price and the year of manufacture.

As employment and consumer confidence increased over the past few years, more people returned to the market for new cars producing back-to-back years of record auto sales. Currently, the City expects the automobile market to soften or plateau, eroding revenues through the depreciation schedule mentioned above. Motor vehicle excise revenue totaled \$37.0 million in FY00 and \$41.8 million in FY01. The City expects motor vehicle excise revenue to come in above the midyear budget estimate of \$40.3 million in FY02 and to fall to \$35.5 million in FY03.

The local room occupancy excise amounts to 4% of the total amount of rent for each hotel or motel room occupancy (in addition to the state excise). Boston's occupancy and average room rates are usually among the highest in the nation and the most recent data on tourism shows that this market was strongly affected by the events of September 11, 2001. Travel and tourism across the nation was reduced and Boston was not an exception. The growth of this revenue source tends to mirror the economy. As the economy grew stronger over the last few years, room occupancy

excise receipts increased steadily, but with a flagging economy and tourism at a stand still in the Fall of 2001 receipts have declined; room occupancy excise revenue totaled \$23.9 million in FY00 and \$15 million in FY01, after moving \$10.7 million to the Convention Center Fund. The City's room occupancy excise tax receipts are expected to fall short of the midyear budget estimate of \$22 million in FY02, but are projected to recover to \$24.6 million in FY02.

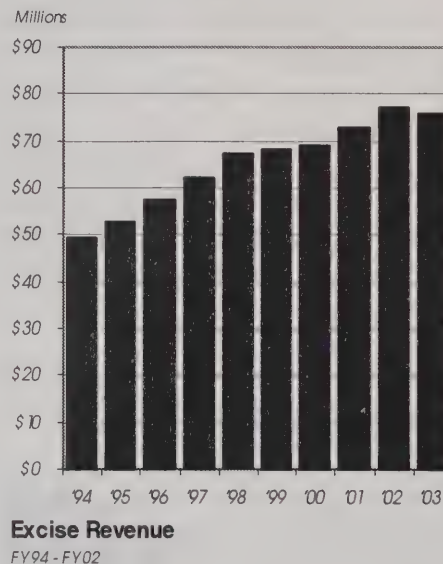


Figure 5

Room occupancy excise revenue from the significant number of new hotel rooms planned, already in construction, or recently constructed is earmarked to pay a significant portion of the City's planned debt for the new Boston Convention and Exhibition Center. Therefore, future growth in room occupancy excise in the general fund depends strictly upon increases in room rates and room occupancy in the 1997 base of hotel rooms.

The excise on the sale of jet fuel is 5% of the sales price, but not less than five cents per gallon. One reason that the jet fuel excise has tended to increase slowly is that with jet fuel selling consistently below \$1.00 per gallon, the five cents per gallon minimum tax has generally been the operative rate. Jet fuel excise tax collections were also severely impacted by the events of September 11, as Logan International Airport was closed for nearly a week and reopened with a sharply reduced flight schedule. The City expects jet fuel excise collections will recover as the economy



strengthens and travel returns. Jet-fuel excise revenue in FY00 totaled \$7.6 million due to a late payment by the Department of Revenue, where the tax is collected, and \$15.3 million in FY01. The City expects this revenue source to come in above the midyear projection of \$14.3 million in FY02 and projects \$15.5 million in FY03. (Figure 5.)

### **Fines**

Over the last three years, the City has issued an average of approximately 1.68 million parking tickets per year and has for several years maintained a high rate of collection on its tickets. The major factors contributing to the City's successful collection rate include non-renewal of violator's registrations and licenses by the Registry of Motor Vehicles until penalties are paid, booting and towing of vehicles, increased ability to get fine payments from rental agencies, and systematic collection of fines for company cars. The City collected parking fine revenue of \$53.6 million in FY00 and \$55.5 million in FY01. Parking fine revenue is expected to slightly exceed the mid-year budget estimate of \$56.3 million in FY02. The FY03 projection of \$56.8 million is based upon a planned diversion of traffic enforcement personnel to the Mayor's *Lets get Moving* campaign to clear congested city streets during peak traffic hours coupled with the higher parking fines put in place at the beginning of FY00 and an expansion of regular street cleaning routes to new neighborhoods.

### **Interest On Investments**

In general, the City's level of investment income is a function of the level of prevailing short-term interest rates and daily cash balances. Cash balances had been rising steadily for the last 3 years while interest rates had been steady, producing strong collections, but recently cash balances have not grown as revenues have been increasing more slowly and interest rates are near 40 year lows. Interest income totaled \$21.9 million in FY00, \$26.1 million in FY01, and is expected to reach the midyear budget estimate of \$15.6 million in FY02. As the Federal Reserve is likely to increase interest rates throughout the coming fiscal year while balancing economic recovery and inflation, the City expects somewhat lower cash balances in tandem, therefore the City projects interest income will rise to \$16.5 million in FY03 as a result.

### **Payments In Lieu of Taxes**

Payments in lieu of taxes (PILOT's) are payments made by tax-exempt institutions located in the City, including hospitals, universities and cultural institutions, as a voluntary contribution for the municipal services that the City provides to them such as police, fire and snow removal. The Massachusetts Port Authority will provide almost half of the PILOT revenue the City expects in FY03. Growth in PILOT's comes from new PILOT agreements, contract escalations that adjust the payments for inflation, or re-negotiation of a current contract. Recently, several previously negotiated contract escalations have taken place in FY02. Payments in lieu of taxes totaled \$18.9 million in FY00 and \$25.9 million in FY01. Boston University made payment on a past year's agreement in FY01 thus increasing revenue more than would be the case in that year. The City expects this revenue source to come in at the midyear budget estimate of \$18.9 million for FY02 (which was reduced due to Massport revenue losses after the September 11 attacks.) and has projected \$24.5 million for FY03 inclusive of new agreements expected to result from negotiations underway.

### **Urban Redevelopment Chapter 121A**

The Chapter 121A legislation allows local governments to suspend the imposition of property taxes at their normal levels in order to encourage redevelopment. In recent years, the City used this mechanism to encourage development of the Seaport Hotel and the World Trade Center office buildings. Chapter 121A revenues are based on two separate sections of the law as described below.

The Urban Redevelopment Corporation excise is a municipal excise in-lieu-of-tax for which the Commonwealth acts as the collector and distributor. In most cases, the formula for the 121A, Section 10 excise in-lieu-of-tax is \$10 per \$1,000 of the current fair cash value plus 5% of current gross income. In FY00 and FY01, the City received Chapter 121A, Section 10 distributions of \$27.3 million and \$32.8 million. In FY02 and FY03, Chapter 121A Section 10 revenues are budgeted at \$28.7 million and \$29.8 million, respectively. In addition to the Section 10 payments collected by the Commonwealth described above, most 121A corporations have individual Section 6A agreements with the City that result in additional



payments made directly to the City. These Section 6A agreements are complex, with actual amounts owed dependent on a formula that varies widely among the 121As. The City collected Section 6A payments of \$10.4 million in FY00 and \$14.0 million in FY01. The City expects FY02 Section 6A collections to be in line with the midyear budget estimate of \$10.2 million and has a budget of \$11.0 million for FY03.

### **Miscellaneous Department Revenue**

This category contains twenty-one large accounts and many more small accounts. The largest revenue source in this revenue category is municipal medicaid reimbursements for school health services. This federal reimbursement, administered by the state, began in FY94. The City received \$10.9 million in FY00. Collections totaled \$18.9 million in FY01 as payments caught up after a backlog. Municipal medicaid reimbursement is expected to exceed the midyear budget estimate of \$12 million in FY02, and is budgeted at \$14.0 million in FY03. There are three other accounts in this revenue category that are projected to exceed \$2.5 million in FY03. Fire service fees are projected at \$2.8 million, street and sidewalk occupancy fees are projected at \$2.5 million, and fringe benefit & indirect grant allowances are projected at \$3.3 million. Fringe benefit & indirect increases considerably this year due to administrative costs associated with grants moving to general fund revenue.

### **Licenses and Permits**

The level of economic activity largely determines the level of many types of permitting and licensing done by City agencies. This category is dominated by building permit revenue, from which the City received \$18.5 million and \$27.2 million in FY00 and FY01 respectively. Building permit revenue should exceed the midyear budget estimate of \$14.0 million in FY02. The City expects to receive \$13.7 million in building permit revenue in FY03. This figure incorporates a decline in activity coupled with an increase in permitting fees.

The next highest license and permit revenue is the cable television license fee from which the City received \$2.8 million in FY00 and \$3.4 million in FY01. The City has a budget of \$2.9 million for FY02 with no significant growth expected in FY03.

Alcoholic beverage licenses are the only other revenue source in this category that regularly exceeds \$2 million in annual revenue. Alcoholic beverage licenses are budgeted at \$2.3 million in both FY02 and FY03. These budgets follow actual revenue of \$2.3 million in both FY00 and FY01.

### **Penalties and Interest**

Taxpayers are assessed both a penalty and interest for late payments of property tax bills and motor vehicle excise bills. The recent trend has been down for these revenues as the City excels in collection of receivables. The City collected \$10.6 million and \$8.0 million in such penalties and interest in FY00 and FY01 respectively. Actual penalty and interest collections for FY02 will fall short of the current midyear budget estimate of \$8.5 million. The City expects collect \$8.3 million in penalty and interest revenue in FY03.

### **Available Funds**

Available funds are linked to a separate category of expenditure appropriation, that is, appropriations that are supported by immediately available special fund transfers. Most of the City's general fund budget is raised and appropriated from the tax levy, which means it is supported by the revenues that are estimated to come in during the course of the fiscal year. This includes the property tax levy, excises, state aid and the various other categories of revenues described above. The only two significant available funds that the City budgets each year are parking meter revenues to support the Transportation Department, and cemetery trust monies which are used to support the City's maintenance of its public cemeteries. The City transferred a total of \$6.7 million and \$8.4 million from these two sources combined in both FY00 and FY01 respectively. The City expects to transfer \$10.0 million from the Parking Meter Fund to the General Fund in both FY02 and FY03. The City also plans to transfer \$1.8 million from the Cemetery Trust Fund to the General Fund in FY02 and \$1.9 million in FY03. These monies were available at the beginning of FY02 and will also be available at the beginning of FY03. Both of these special funds have fees collected during the course of the year. By transferring out less than what is collected, the City has built up these special fund and trust fund balances. Trust fund balances can

also benefit from the opportunity to invest in securities offering a higher return than short-term fixed-income investments (see *Financial Management* section of Volume I for detail).

### State Aid

A detailed discussion of state aid is provided in the Revenue Estimates and Analysis chapter of this volume. Below is a brief summary.

Over the last nine years, the Commonwealth has been successful in balancing its budget. This has given the Commonwealth the capacity to support an adequate and diversified local revenue base for municipalities. Recently growth in state aid has slowed due to the national economic recession and the corresponding drop in state tax revenues leaving the state in need of drawing on reserves or possibly increasing taxes. Municipalities are now primarily reliant on the property tax not only for revenue growth, but also to offset likely state aid reductions. The State Aid portion of the City's budget for FY03 is based on the House Ways and Means expectation that state aid to cities and towns will have to be cut by ten percent from their FY02 levels.

The primary forms of local aid distributions from the state to municipal general revenues are Chapter 70 education aid, additional assistance and lottery. The amount of these funds to be distributed each year to an individual community is described on the "cherry sheet", a listing of a city or town's local aid that is printed on cherry-colored paper. Also listed on the cherry sheet are other relatively smaller Commonwealth programs such as library aid, school construction and transportation and other reimbursements, and highway funds.

Beginning in 1993 with the passage of the FY94 state budget, the Commonwealth embarked upon a multi-year commitment to increase and equalize funding for local education in its local aid distributions. This aid comes from the Commonwealth as Chapter 70 education aid.

The expected state budget for FY03 decreases education aid by 10% over FY02. The City received Chapter 70 education aid totaling \$186.2 million in FY00 and \$197.5 million in FY01 and \$205.6 million in FY02. The City expects to receive \$185.1 million in FY03. FY00 was the last year of the statutorily established funding schedule for education

reform. There has yet to be established a post-FY00 funding schedule. A vital component in the City's delivery of quality public education in the near-term is strong financial support from the Commonwealth. It appears likely that the City will return to just below FY00 funding levels in FY03.

The current education aid is delivered in tandem with state-mandated costs for charter schools. Charter schools are publicly funded schools administered independently from local school committee and teacher union rules and regulations and whose charters are granted by the State Board of Education. There are two kinds of charter schools, the Commonwealth charter school and the Horace Mann charter school. The former is a school outside the local public school system and the latter is part or all of a school in the public school system. In addition to the Board of Education, the local school committee and local bargaining agent must approve Horace Mann charter schools. In addition, Horace Mann charter schools budgets remain part of the public schools budget.

There are currently thirteen Commonwealth charter schools available to Boston residents and two more are scheduled to open in Boston in September 2002. In addition to the Commonwealth charter schools, there are also two Horace Mann charter schools operating in Boston. There are approximately 2,602 Boston resident students attending charter schools.

Before FY99, all charter school tuition was drawn directly from the City's Chapter 70 aid. This draw on the City's education aid totaled \$10.9 million in FY98. Under recent amendments to the charter school law, the Commonwealth will pay to the City, as reimbursement for Chapter 70 aid reductions, 100% of tuition for new charter school students the first year, followed by 60% of tuition and tuition increases the second year, 40% of tuition and tuition increases the third year and 0% of tuition and tuition increases the fourth year. The net impact of the charter schools in FY01 was \$14.4 million after a \$7.5 million reimbursement from the Commonwealth. The City has budgeted \$19.0 million to be the net impact of the charter schools in FY02 after receiving an \$8.3 million reimbursement from the Commonwealth. The City expects \$23.1 million to be the net impact in FY03 after a \$10.6 million reimbursement, this assuming current law rather than the Governor's budget



proposal to reduce reimbursement to 33% of charter school tuition in the first year only. If the Governor's proposal were to become law, the net impact of charter schools would increase to \$27.2 million in FY03. In the long term, it is assumed that the charter schools that thrive will increase overall enrollment, which in succeeding years will increase funding for the school district in the Chapter 70 formula and mitigate the negative fiscal impact of charter schools on the City's traditional public schools.

Lottery aid for the City, as for most municipalities, has grown steadily the last few years. This is the result of a state decision to phase-out the lottery cap and return all lottery profits to the cities and towns. The City's lottery aid was \$63.1 million in FY00 and \$71.0 million in FY01. The City expects that FY02 lottery aid will meet the budget estimate of \$63.5 million. The City expects to receive the same amount in lottery aid in FY03. The current lottery formula is not favorable for the City. The City receives a smaller percentage share of lottery aid than its share of the state population, and dramatically less than the share of lottery proceeds derived from sales in Boston.

Nevertheless, lottery aid has been an important source of revenue growth, aiding the City's efforts to sustain adequate municipal services. During the last four years, Boston's lottery distribution has reflected both lottery profit growth and the phasing out of the diversion of lottery funds to the Commonwealth. Beginning in FY01, growth in the City's lottery distribution reflects only profit growth in the lottery.

### **Teachers' Pension Reimbursement**

Boston's cherry sheet includes an item unique to the City, the teachers' pension reimbursement for pension charges to the City. The pensions paid to retired teachers in all other cities and towns in Massachusetts come directly from the Commonwealth via the State-Teachers Retirement System. In a singular arrangement mandated by general law, pensions paid to retired Boston teachers are paid by the State-Boston Retirement System, which charges the City of Boston for this cost as part of its annual pension funding. The City is then reimbursed by the Commonwealth through the cherry sheet. In short, the Boston teachers' pension payroll is administered locally, but, as

with all other teachers' pensions in Massachusetts, is the financial responsibility of the Commonwealth. The teachers' pension reimbursement totaled \$38.8 million in FY00, \$41.4 million in FY01, and has already come in at \$45.3 million in FY02. The teachers pension reimbursement is estimated at \$40.8 million in FY03. The city includes this reimbursement in the estimated 10% cut from FY02 cherry sheet state aid mentioned above.

### **Non-recurring Revenue**

Included in the FY03 Budget is \$1.9 million in non-recurring revenue to be transferred from the surplus property disposition fund. The original source of these funds is the proceeds from the sale of central artery land to the Commonwealth for the central artery project. In maintaining its policy of not supporting recurring operating costs with non-recurring revenue, the City is limiting this transfer to an amount not greater than \$1.0 million for the Risk Retention Reserve plus \$876,000 for costs associated with an after school program initiative. (see *Financial Management* section of Volume I for more detail on this revenue source.)

### **EXPENDITURES**

Expenditures are broken down into two primary groups: appropriations directly related to departmental services and fixed and mandated costs. FY03 appropriations are further subdivided into four categories:

City Departments, which includes all operating department appropriations, a risk retention reserve and a set-aside for tax title and annual audit expenses;

Boston Public Health Commission, the City appropriation for the quasi-independent authority and successor to the Department of Health and Hospitals;

County, which includes the City of Boston's share of the operating budget for the Suffolk County Sheriff and the County share of Pensions and Annuities for payments to retired County officials who were not members of the contributory retirement system;

School Department, the City appropriation for the Boston Public Schools.



## City Departments

The combined appropriations for City Departments as shown in the FY03 Summary Budget have decreased by 0.1% from the FY02 appropriations. Over 70% of this category covers four appropriations: Police, Fire, Public Works and Health Benefits.

These appropriations can also be divided by cabinet, to better reflect the overall policy priorities and trends by service area. (Figure 6.)

Some of the highlights of FY02/FY03 changes by cabinet are as follows:

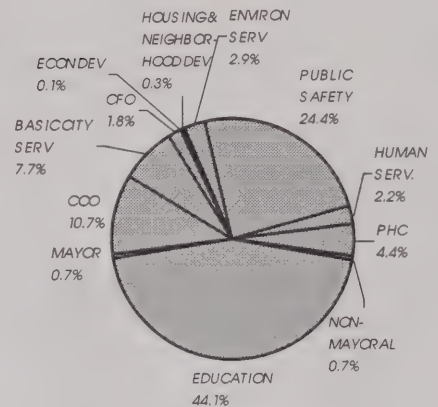
## Mayor's Office

The cabinet will see a decrease of 9%. Over half of the approximately \$973,000 decrease is the result of the transfer of the Boston 2:00 to 6:00 services to the newly created Boston Center for Youth & Families in the Human Services Cabinet. The decrease reflected in the Office of New Bostonians (ONB) is solely the result of a reallocation made to ONB during FY02 to cover the cost of translating equipment that will not need to be repeated again in FY03. The major expenses of ONB are covered by the Baxter Fund. The Mayor remains committed to helping new immigrants become proficient in the English language so that they can use the skills that they already have to enter the City's job market. Within the confines of a reduced appropriation, the Mayor's Office will establish a Development Office within it that will coordinate citywide fundraising efforts and target corporate sponsorships. Other appropriation decreases will occur in Intergovernmental Relations, the Law Department and the Office of Neighborhood Services.

## Chief Operating Officer

Excluding health insurance, this cabinet will see a net increase of 2.4% in its FY03 appropriation. The increase relates to the absorption of the Boston Administrative Information Systems (BAIS) Support program by the Management Information Services (MIS) department. BAIS is the City's financial/human resource/payroll system. BAIS Support was formerly a program of the Auditing Department in the Finance Cabinet. All other departments and appropriations in the COO cabinet will see decreases. Of particular note is the decrease in the Workers Compensation Fund

appropriation. Effective July 1, 2002, the City has opted out of the State's Workers' Compensation Trust Fund, which will yield over \$800,000 in annual net savings in FY03 and beyond. While the Fund's aim is to lessen the financial impact for certain workers' compensation costs, a cost benefit



**FY03 Expenditures by Cabinet**

**Figure 6**

analysis done by the City's Workers' Compensation Division and the Office of Budget Management clearly demonstrated that participation in the Fund was no longer in the City of Boston's financial interest. In addition, the Workers' Compensation Division is working to collect Trust Fund reimbursements still owed to the City from prior years.

Health Benefits will increase by 2% over the FY02 appropriation, requiring an additional \$1.6 million. The FY03 Health Benefits appropriation includes the cost of dental and vision coverage for employees who are eligible for coverage through collective bargaining agreements or executive order. The FY03 appropriation reflects the City's decision to look at ways to bring its health benefits program more in line with benefit programs provided by the State and other municipalities.

In FY03 the COO cabinet will also take on new oversight responsibilities as it acquires Consumer Affairs & Licensing, the Library Department and the Registry Division, all currently under the purview of the Chief of Basic City Services. Funding for the Library continues to incorporate the historical appropriation requirements of the State in order to be eligible for State funding.

## **Chief Financial Officer**

After excluding tax title funding from the FY02 appropriation, the net percentage decrease in this cabinet is 18.3%. The transfer of the BAIS Support program to MIS referred to above is a major contributor to the decrease. Other significant contributions to the net decrease come from Pensions & Annuities and Executions of Courts. The Pensions & Annuities requirement is reduced as the number of people eligible for this benefit goes down.

## **Public Safety**

The 0.8% net increase in this cabinet is related to collective bargaining requirements in the Fire Department, which shows a 2.8% increase for FY03. During FY02, the City and the Firefighters Union, Local 718 reached a successor agreement to the collective bargaining agreement that expired on June 30, 1999. That agreement includes a 4% base increase in July 2002 as well as significant adjustments to the career awards for officers. These collective bargaining increases have had a major impact on the FY03 salary requirements as the department's appropriation is almost 90% personnel. The Fire Commissioner is committed to implementing management changes that will lessen the impact of these collective bargaining increases and keep the net increase to 3%. A strategic reallocation of resources is planned to maintain existing levels of public safety services. The department will continue to implement O'Toole Commission recommendations including a new modified work program to better manage overtime costs. The department will enhance its emergency management and preparedness program initiatives prompted by the tragic events of September 11, 2001. A Special Operations Command (SOC) has been created to more efficiently operate, train, equip and staff HazMat, Rescue, Confined Space, Scuba and Marine services. Two classes of firefighters to replace employees lost through attrition are planned for FY03.

The Police Department's appropriation will decrease by approximately \$942,000, or .43%. The FY03 budget reflects the departments continuing effort to focus its resources on the direct delivery of neighborhood policing services to the communities of Boston. These efforts include: the

continued hiring of civilian dispatchers in the Operations Division and the resulting reassignment of police officers to district stations; a review of personnel assignments, based on a recently completed position utilization analysis, to revise staffing patterns and assign more officers to direct service positions and the installation of a new message switch that will enable officers to enter reports directly into the system from computers in vehicles, reducing time spent on paperwork and administrative tasks. The department will continue to respond to the changing role of public safety agencies since September 11, 2001. The Department has revised its training plans, obtained and issued additional equipment and improved incident command systems to respond to any new threats to the City.

## **Economic Development**

This cabinet will show a net decrease of 1.3% in total appropriations from those funds appropriated in FY02. The City's commitment to centralizing planning for the City within the Boston Redevelopment Authority will continue to be funded fully with BRA revenues in FY03. The Special Events Department, under the oversight of the Chief Economic Development Officer in FY02, will be included in the Basic City Services Cabinet in FY03.

## **Basic Services**

The combined appropriations for this cabinet show a net increase of 2.5%. The most significant departmental increase in this cabinet occurs in the Public Works Department. The City's three-year trash collection and disposal contracts are currently in their final year; new bids are expected to include significant increases. In FY03, Public Works will also expand its Street Lighting Unit as it takes over street lights formerly owned by NStar. The non-personnel savings from this initiative will be greater than the increased personnel costs.

In FY02, funding was reallocated to Parks to allow the department to continue its strategic planning and collaboration with Community Centers and other organizations to ensure that the recreation services that were being delivered by the City were of the highest quality and that those services were being delivered in the most cost effective manner. In a continuation of that effort, the Recreation



Unit of the Parks Department will be transferred to the newly created Boston Center for Youth & Families in the Human Services cabinet.

Changes will also occur in the Property Management Department. The Construction & Repair program, currently located in the Department of Neighborhood Development in the Housing & Neighborhood Development Cabinet, will be transferred to Property Management. The department will be renamed "Property & Construction Management" to reflect the change in FY03. In addition, the Code Enforcement unit will be integrated with the Inspectional Services Department in the Environment Cabinet. The program changes, as well as a full year of enhanced security measures, will result in a net increase of 1.7% for Property Management.

In a further effort to increase cross-departmental coordination, the Chief of Basic City Services will take on the oversight of the Office of Special Events. Many of the events supported by the Office take place on City property and involve support from the Property Management Department. Having these two departments report to the same Cabinet Chief will gain efficiencies. The appropriation for the Office of Special Events has been lowered as a result of a decision to reduce the level of support for public celebrations due to the significant revenue restraints the City faces.

Another cabinet change in the Basic Services Cabinet is the transfer of the Youth Fund appropriation to the Human Services cabinet. (See the Human Services section for more on the Youth Fund.)

### **Environmental Services**

The Environment Cabinet is showing a net decrease of 1.5%. This cabinet will also see significant program changes. The Transportation Department will be eliminating its towing unit as the City looks to provide towing in a more cost effective way. The focus of the Transportation Departmental continues to be maintaining public safety (with a particular emphasis on neighborhood traffic safety), traffic flow and parking turnover. Along with all of its current mandatory inspection activities, the Inspectional Services will take over the Code Enforcement Program that currently exists in the Property Management Department in the Basic Services

Cabinet. The mission of Code Enforcement is more closely aligned with the mission of the Inspectional Services Department and will complement the current activities of that department.

### **Human Services**

The recommended appropriation for the Human Services Cabinet is a net decrease of .4% from the total FY02 appropriation. The cabinet will undergo a major realignment in FY03. The consolidation of Community Centers, the Office of Community Partnerships, Boston 2:00-6:00 (currently in the Mayor's Office Cabinet) and the Recreation Program from Parks (currently in the Basic Services Cabinet) into the new Boston Center for Youth & Families will provide greater efficiencies and enhance the provision of services in the areas of community capacity building, sports and recreation, youth development, after-school and out-of-school time and other services provided to children and families.

In an effort to align the City's summer job program with other services provided to the youth of the City, the Youth Fund appropriation will move to the Human Services Cabinet in FY03. The reduction shown in the Youth Fund appropriation is the result of the proposed transfer of the Mural Crew from the Youth Fund to the Office of Cultural Affairs which will enhance the coordination of public art. Leaving aside that transfer, the Youth Fund appropriation is level with the City's current FY02 appropriation. If state Summer job funding is not made available for the summer of 2002, the City will face the difficult challenge of providing jobs for the youth of the City will severely limited financial resources. The Mayor is asking for an expanded commitment from the private sector to help wherever possible to remedy the situation. In addition to the City's Summer Job program, this appropriation funds alternative education programs and provides centralized funding for the support of the Mayor's Youthline.

Despite a reduced appropriation in the Elderly Department, the Commissioner will continue to look at re-inventing the way the department provides services, especially in response to the information gathered through "Seniors Count" – the Commission's citywide outreach campaign to seniors 65 and older. Efforts to improve community relations and public information



dispersal, as well as to increase partnerships with the private sector will continue in FY03.

### **Housing and Neighborhood Development**

This cabinet is showing a significant decrease of over 22% from the FY02 appropriation. The decrease is mainly the result of the transfer of the Capital Construction Program to the Property and Construction Management Department in the Basic Services cabinet. The Department of Neighborhood Development (DND) will direct its existing resources toward addressing the Mayor's commitment to community renewal and public investment in the City's neighborhoods. The Department continues to strive toward making the Mayor's affordable housing production goals a reality. The Mayor is committed to funding a Leading the Way appropriation in FY03 once the revenue from the sale of the former Police Headquarters building is realized. However, the City cannot solve a regional housing crisis without an increased commitment from state and federal government and strong collaborations with private partners. (see Surplus Property Disposition Fund in *Financial Management* section of Volume I.)

### **Public Health Commission**

The Commission is responsible for providing the public health operations formerly provided by the Department of Health and Hospitals (DHH) and Trustees of Health and Hospitals (THH). It is a principal component of the Boston Public Health Network which includes the Public Health Commission, Community Health Centers, and Boston Medical Center. Through Boston Emergency Medical Services, the Commission also provides pre-hospital emergency care.

The FY03 appropriation for the Public Health Commission is level with its FY02 appropriation. The Public Health Commission Budget includes a \$12 million direct payment to the Boston Medical Center (BMC) required by the agreement reached when the City consolidated Boston City Hospital and Boston University Medical Center Hospital. The appropriation also funds an Emergency Medical Services (EMS) subsidy of \$9.1 million. In addition, the FY03 appropriation funds programs critical to the health of Boston's youth and adult populations including mental health

programs and programs to assist families transitioning off welfare.

### **County Departments**

Prior to FY93, state support of county corrections for Suffolk County was by means of state aid into the City's general fund. In FY93, the Commonwealth shifted its support of county corrections from the City's general fund to directly funding the Sheriff's Department. In FY96, the City was responsible for funding 12.5% of the Sheriff's Department Budget with the Commonwealth funding the rest. Because this was close to double the percentage of the FY96 statewide local contribution over statewide county corrections spending, the City received a reduction in the maintenance of effort requirement for FY97 to 8.75% of the Sheriff's Budget, a reduction in FY99 to 6.875% and a subsequent reduction to 5% in FY02. Based on the financial status of the City and the State, the appropriation for the FY03 maintenance of effort requirement will be level funded at this time.

### **School Department**

The FY03 School Department Budget has been level funded with FY02. The School Department is engaged in an ongoing effort to align resources with its educational priorities. The FY03 budget is the result of decisions made to allocate resources to priority areas that most directly affect teaching and learning. The appropriation allows the department to move forward with the second year of the Boston Public Schools' five-year education reform plan, Focus on Children II. (See the Education chapter of this volume for more details.)

### **Pensions**

The City's pension expense has increased modestly over the last several years. The City's annual pension funding requirement was \$128.6 million in FY00, \$127.5 million in FY01 (after the July 2000 revaluation) and \$129.8 million in FY02. The City expects the FY03 pension funding requirement to be \$134.4 million. These numbers do not include pension costs allocated to the budgets of the Sheriff's Department or the Public Health Commission. Meanwhile, the percentage of the City's overall pension liability that has been

# Appropriations by Cabinet

Cabinet	Department	FY00 Expenditure	FY01 Expenditure	FY02 Appropriation	FY03 Appropriation	Inc/(Dec) 03 vs 02
Mayor's Office	Boston 2 to 6	544,013	556,727	567,514	0	-567,514
	Intergovernmental Relations	916,200	877,429	994,255	962,115	-32,140
	Law Department	3,875,695	4,859,704	5,130,858	4,994,008	-136,850
	Mayor's Office	1,793,242	1,875,270	1,874,040	1,693,871	-180,169
	Neighborhood Services	947,138	1,004,918	1,114,761	1,083,297	-31,464
	Office of New Bostonians	0	39,576	102,685	77,978	-24,707
	Public Information	786,774	799,651	887,027	887,027	0
	<b>Total</b>	<b>8,863,062</b>	<b>10,013,275</b>	<b>10,671,140</b>	<b>9,698,296</b>	<b>-972,844</b>
Chief Operating Officer	Chief Operating Officer	822,527	782,032	988,226	932,737	-55,489
	Consumer Affairs & Licensing	358,346	397,899	479,677	440,248	-39,429
	Graphic Arts Department	1,379,746	1,440,456	1,683,004	1,620,166	-62,838
	Health Insurance	78,846,781	87,232,847	100,731,590	102,356,398	1,624,808
	Human Resources	2,672,685	2,715,160	2,910,407	2,872,887	-37,520
	Labor Relations	1,041,811	888,293	908,033	893,034	-14,999
	(1) Library Department	28,160,254	29,980,970	28,701,485	28,008,486	-692,999
	Management & Information Svs	9,240,418	10,778,688	11,045,586	14,606,504	3,560,918
	Management Fund	225,000	225,000	0	0	0
	Registry Division	783,064	813,730	895,802	872,249	-23,553
	Unemployment Compensation	3,719	11,961	50,000	50,000	0
	Workers' Compensation Fund	4,069,294	4,169,661	3,400,000	2,000,000	-1,400,000
	<b>Total</b>	<b>127,603,645</b>	<b>139,436,697</b>	<b>151,793,810</b>	<b>154,652,709</b>	<b>2,858,899</b>
Chief Financial Officer	Assessing Department	5,321,149	5,656,199	5,305,425	5,200,955	-104,470
	Auditing Department	3,971,213	3,621,452	6,316,870	1,866,608	-4,450,262
	Budget Management	2,240,084	2,632,010	2,319,483	2,303,318	-16,165
	Execution of Courts	6,202,391	2,008,239	4,100,000	3,100,000	-1,000,000
	Medicare Payments	3,201,330	3,238,349	3,500,000	4,100,000	600,000
	Pensions & Annuities	5,933,645	6,300,000	5,965,000	4,900,000	-1,065,000
	Purchasing Division	1,140,433	1,181,569	1,299,143	1,277,410	-21,733
	Taxpayer Referral & Assistance	379,704	411,932	438,901	438,901	0
	Treasury Department	3,303,808	3,465,967	4,001,342	3,491,159	-510,183
	<b>Total</b>	<b>31,693,757</b>	<b>28,515,717</b>	<b>33,246,164</b>	<b>26,678,351</b>	<b>-6,567,813</b>
Public Safety	Fire Department	118,751,346	116,858,507	132,098,152	135,820,103	3,721,951
	Police Department	200,756,488	214,286,307	219,906,763	218,964,929	-941,834
	<b>Total</b>	<b>319,507,834</b>	<b>331,144,814</b>	<b>352,004,915</b>	<b>354,785,032</b>	<b>2,780,117</b>
Education	Boston Public Schools	579,180,939	611,925,112	639,729,201	639,729,201	0
	<b>Total</b>	<b>579,180,939</b>	<b>611,925,112</b>	<b>639,729,201</b>	<b>639,729,201</b>	<b>0</b>
Economic Development	Boston Redevelopment Authority	0	725,000	0	0	0
	Boston Residents Job Policy	401,336	437,055	469,335	490,518	21,183
	Minority/Women Business	540,969	580,318	662,335	626,071	-36,264
	<b>Total</b>	<b>942,305</b>	<b>1,742,373</b>	<b>1,131,670</b>	<b>1,116,589</b>	<b>-15,081</b>
Basic Services	Central Fleet Maintenance	1,563,355	1,930,923	2,075,670	2,068,748	-6,922
	Election Department	3,476,439	2,877,687	3,362,494	3,006,972	-355,522
	Parks & Recreation Department	13,064,983	14,323,814	14,870,972	13,768,859	-1,102,113
	Property & Construction Mgmt.	15,660,725	17,796,977	17,962,959	18,264,389	301,430
	Public Works Department	63,133,179	65,531,264	65,660,154	69,863,301	4,203,147
	Snow Removal	6,018,565	10,581,825	4,462,060	4,370,101	-91,959
	Special Events & Tourism	1,471,717	1,573,622	1,270,425	1,075,321	-195,104
	<b>Total</b>	<b>104,388,963</b>	<b>114,616,112</b>	<b>109,664,734</b>	<b>112,417,691</b>	<b>2,752,957</b>
Environmental Services	Environment Department	879,260	938,557	980,917	991,513	10,596
	Inspectional Services Dept	11,270,550	12,724,027	13,307,525	14,083,959	776,434
	Transportation Department	26,164,999	28,181,878	29,168,028	27,718,556	-1,449,472
	<b>Total</b>	<b>38,314,809</b>	<b>41,844,462</b>	<b>43,456,470</b>	<b>42,794,028</b>	<b>-662,442</b>
Human Services	Boston Center for Youth & Families	0	0	0	18,607,906	18,607,906
	Boston Community Centers	14,591,205	351,248	16,365,799	0	-16,365,799
	Civil Rights	382,761	14,954,743	434,290	353,884	-80,406
	Community Partnership	1,704,243	1,582,955	1,627,947	0	-1,627,947
	Cultural Affairs	725,614	1,024,878	1,100,893	743,962	-356,931
	Elderly Commission	2,415,041	2,595,836	2,823,460	2,716,435	-107,025
	Emergency Shelter Commission	585,443	624,387	599,947	592,545	-7,402
	Veterans Services Department	2,005,224	2,336,159	2,371,400	2,400,451	29,051
	Women's Commission	149,370	159,823	166,156	164,919	-1,237
	Youth Fund	6,199,168	8,617,953	6,408,767	6,194,259	-214,508
	<b>Total</b>	<b>28,758,069</b>	<b>32,247,982</b>	<b>31,898,659</b>	<b>31,774,361</b>	<b>-124,298</b>
Neighborhood Development	Neighborhood Development	4,716,344	7,046,761	5,088,343	3,797,416	-1,290,927
	Leading the Way	0	13,000,000	0	0	0
	Rental Housing Resource Center	682,918	665,582	744,293	741,292	-3,001
	<b>Total</b>	<b>5,399,262</b>	<b>20,712,343</b>	<b>5,832,636</b>	<b>4,538,708</b>	<b>-1,293,928</b>
Public Health	Public Health Commission	58,212,620	62,141,493	63,897,045	63,897,045	0
	<b>Total</b>	<b>58,212,620</b>	<b>62,141,493</b>	<b>63,897,045</b>	<b>63,897,045</b>	<b>0</b>
Non-Mayoral Departments	City Clerk	806,889	839,498	893,034	915,390	22,356
	City Council	3,288,550	3,333,130	3,930,923	3,926,403	-4,520
	Finance Commission	170,914	182,958	192,316	99,816	-92,500
	Licensing Board	548,078	606,252	590,525	568,747	-21,778
	Suffolk County Sheriff's Dept	5,854,066	6,029,688	4,536,850	4,536,850	0
	<b>Total</b>	<b>10,668,497</b>	<b>10,991,526</b>	<b>10,143,648</b>	<b>10,047,206</b>	<b>-96,442</b>
<b>Grand Total</b>		<b>1,285,143,813</b>	<b>1,405,331,906</b>	<b>1,453,470,092</b>	<b>1,452,129,217</b>	<b>-1,340,875</b>

(1) The FY00 and FY01 Library expenditures include State Library of Last Recourse funds; the FY02 and FY03 amounts do not.



funded has improved from 62.4% in FY96 to 75.5% in FY01. There are two reasons for this. First, the average annual rate of return on assets in recent years has significantly exceeded the 8% rate of return assumed in the City's pension funding schedule. Second, the increased percentage set aside for pension funding which has risen from 6% for employees hired in the early 70's and before, to greater than 8% for more recent hires, continues to aid the system's trend toward full funding.

The impact of these two items is incorporated into the City's pension funding schedule each time the pension system does a full valuation. State law calls for full valuations at least every three years. The most recent valuation was approved during FY01 and the pension system is therefore required to do another full valuation during FY04.

A fundamental shift regarding the liability for pension cost-of-living-adjustments was reflected in the valuation of FY98. The Commonwealth no longer funds cost-of-living-adjustments as they had since the enactment of Proposition 2 1/2. The City has opted to accept the responsibility for future cost-of-living-adjustments for its retirees.

### Debt Service

The City had expenditures for debt service of \$96.5 million in FY00 and \$106.2 million in FY01. The City has a budget of \$118.8 million for debt service in FY02 and expects to spend \$127.0 million on debt service in FY03. The increase in debt service in recent years reflects the increased amounts that were borrowed in FY99-00 (\$120 million annually). FY02 (\$100 million) and FY03 (\$75 million) reflect an adjustment necessary in the current economic climate. The higher borrowing level was a consequence of increased capital renovations and planned new construction for the Boston Public Schools, which is partially reimbursed by the Commonwealth as well as obligations related to the hospital merger, and the new financial and human resources system. FY03 gross debt service will remain below the City's traditional guideline of 7% of total expenditures. For further detail see the Capital Planning and Financial Management chapters of this volume.

### State Assessments

Accompanying the local aid distributions on the cherry sheet are several charges to the City from

the Commonwealth. All but the state assessment for the Massachusetts Bay Transportation Authority (MBTA) are relatively small. In accordance with Proposition 2 1/2, these charges, on a statewide basis, cannot increase annually by more than 2.5%. The City's state assessment increased from \$66.8 million in FY01 to \$67.5 million in FY02. The City expects growth in assessments to \$68.5 in FY03. As a result of a new schedule of MBTA assessments passed with the FY01 state budget, the City expects lower MBTA statewide assessments in the future. The new schedule allows cities and towns serviced by the MBTA to deduct the cost of operating Regional Transit Authorities from their assessment. Since the City has no such system and therefore no deduction, the net effect is a higher assessment as the City pays a higher share of a lower statewide assessment. In the past, the cost of operating the MBTA has traditionally grown at a much faster pace than the allowable 2.5% increase in state assessments and consequently so has the Commonwealth's annual subsidy to the MBTA. Along with this new MBTA assessment schedule, the Commonwealth has given the MBTA a budget instead of covering their annual shortfalls with a subsidy.

Tregor Reserve Fund				
Fiscal Year	Beginning Year Balance	Funds In	Funds Out	Ending Year Balance
FY96	18.680	0.000	0.000	18.680
FY97	18.680	0.000	0.000	18.680
FY98	18.680	0.000	0.000	18.680
FY99	18.680	0.000	0.000	18.680
FY00	18.680	0.000	0.000	18.680
FY01	18.680	1.308	0.000	19.988
*FY02	19.988	0.363	0.000	20.351
*FY03	20.351	0.000	0.000	20.351

### Reserve

The City is required by law to maintain a reserve on its balance sheet of 2.5% of the prior year appropriations, not including the School Department, which has its own separate reserve. The current balance of this reserve is \$20.0 million. Due to the significant reduction in FY97 of non-school departmental appropriations as a result of the removal of hospital operations from the budget, this reserve is already fully funded



through the end of FY02. The reserve can be used to provide for extraordinary and unforeseen expenditures and the Mayor may make drafts or transfers against this fund with City Council approval only in the month of June. Since the establishment of this reserve, the City has yet to make any drafts or transfers from the reserve. FY03 marks the second year since FY95 the City will be required to show an increase in this reserve to satisfy the statutorily obligated funding level. The City expects to fulfill the Tregor Reserve requirement to add \$0.4 million to the reserve before the close of FY02. (see *Financial Management* section of Volume I for detail.)

#### **Note:**

The City prepares its financial statements in accordance with generally accepted accounting principles (GAAP) and publishes them annually in its Comprehensive Annual Financial Report (CAFR) and as an appendix in all bond prospectuses issued by the City. However, the budgetary basis accounting practices established by the Massachusetts Department of Revenue are used in constructing each year's proposed budget, during the budget approval process, and in monitoring the budget throughout the year. Therefore all numbers used in this budget document are on a budgetary basis. There are no descriptions or discussions of separate funds because one major way in which budgetary basis accounting differs from GAAP is that while certain activities and transactions (e.g. debt service) are presented in separate funds in GAAP, they are components of the general fund using budgetary basis accounting. For a fuller understanding of the differences, a walk-through table demonstrating the City's revenue and expenditure totals for FY01 in budgetary basis accounting versus GAAP is presented at the end of the Financial Management chapter.

#### **PERSONNEL CHANGES**

The following table shows a four year comparison of city funded full-time equivalent (FTE) positions. (This includes both permanent and emergency employees.) The numbers used for FY03 are estimates based on the current level of employees, timing of public safety replacement classes and the responsible downsizing activities begun in FY02 that will continue into FY03.

**FY01- FY02 Changes** - The total net increase of 88.3 positions from January 1, 2001 to January 1, 2002 was mainly the result of increases in the School Department. The actual FTE increase was much lower than originally projected due to a number of factors including the controls put on FY02 hiring after September 11, 2001 and the high number of retirements and the timing of classes in the Public Safety Departments. The two primary factors for the FTE increase of 72 in the School Department are class size reduction and increased support for the Transition Program and the Math Support Plan.

**FY02-FY03 Changes** – The City expects to have a substantial net decrease in FTEs between FY02 and FY03 as a result of a responsible downsizing effort that began in FY02 and will continue into FY03. Overall the decrease is expected to be 277, however included in that 277 is a substantial decrease in the Library Department as a result of a change in accounting for state funded positions. Historically the positions funded with State Library of Last Recourse funds have been counted in the City's internally funded FTE count when they were truly externally funded positions. In FY03, the FTEs related to state funded positions have been split between the operating budget and the respective grants. The split, which is loaded from the budget to the City's BAIS budget table will allow charges for these positions to be allocated directly to multiple funding sources reducing the amount of time spent on paperwork necessary to do expenditure transfers and reports for State reimbursements.

The number of positions in the Mayor's Office Cabinet is expected to decrease by 4 in FY03 as a result of the consolidation of the Boston 2:00 to 6:00 Office into the proposed Boston Center for Youth & Families Department in the Human Services Cabinet. A decrease of one projected for the Mayor's Office will be offset by an increase of one in the Law Department. All other Mayoral Cabinet departments are expected to maintain level staffing.

The decrease in the Chief Operating Officer's cabinet is the result of the net impact of the transfer of 30 FTE's from the BAIS Support program which shows in the Auditing Department in the Finance Cabinet in FY02 into the MIS Department and the decrease resulting from the change in the accounting for State funded FTE's in

the Library described above. Setting aside these two departments, the FTE count for the rest of the cabinet is expected to remain relatively stable. The Office of Human Resources has filled three essential vacant positions since January 1, 2002 and is expected to remain at the current FTE level during FY03. Offsetting 2 of those FTE's is a reduction of 1 in both the COO's Office and the Registry Division.

The reduction in the FTE count for the Finance Cabinet is mainly the result of a transfer of the BAIS Support Program to the MIS Department in the COO Cabinet. The rest of the cabinet will remain relatively stable overall.

The numbers of Public Safety employees on the payroll as of January 1 of any year fluctuates with the timing of classes and the timing of retirements. After considering the current number of filled positions, expected retirements, the civilianization of certain administrative work that will allow more of the current uniformed workforce to be out on the street, as well as a significant reduction in the number of police cadets, the net increase projected for Public Safety FTEs is 8.

Education is projected to decrease by about 173.4 FTEs from January 2002 to January 2003. The reduction in positions will be mainly concentrated in areas that do not impact direct teaching and learning.

The FTE count in the Economic Development Cabinet is projected to remain stable in FY03.

The projected net increase of 39 in the Basic Services Cabinet results mainly from the combination of the transfer of the Capital Construction program from the Department of Neighborhood Development in the Housing and Neighborhood Development Cabinet (61 FTEs) to the re-named Property and Construction Department (currently the Property Management Department) as well as the transfer of the Code Enforcement unit (19 FTEs) out of the Property and Construction Management Department to the Inspectional Services Department in the Environmental Services Cabinet. The Parks Department will also see a decrease in FTEs as the Recreation Program will move to the Boston Center for Youth & Families in the Human Services Cabinet in FY03. A slight increase in

FTEs projected for Public Works is based on attrition projections and the increase in positions needed for the streetlighting unit as the City takes ownership of additional street lights formerly owned by NSTAR.

The decrease in the Environment Cabinet is mainly the result of the net impact of two significant changes proposed for FY03. The majority of the increase in the Inspectional Services Department is the result of the transfer of the Code Enforcement unit from the Basic Services Cabinet referred to above. The decrease in the Transportation Department reflects the decision to reduce the City's Towing Unit as discussed previously in the Expenditure section.

The projected decrease of 14.4 in the Human Services Cabinet is the result of the efficiencies gained by consolidating three Human Service departments, Boston 2:00 to 6:00 and the Recreation Program from Parks to form the Boston Center for Youth & Families. The new department will focus on the most efficient and equitable way to staff its Community Centers as well as address the Mayor's education and youth services priorities.

The Public Health Commission projects that it will reduce its FTE count by approximately 7.

The FTE reduction in the Housing & Neighborhood Development cabinets is mainly the result of the transfer of the Capital Construction Program currently in the Department of Neighborhood Development to the Property and Construction Management Department in the Basic Services Cabinet (61 FTEs).

The FTE reduction in the Non-Mayoral group of departments is the result of a decision to fund the Finance Commission, which is appointed by the governor, at a level that is closer to the appropriation required by state statute for the Commission. This reduction is necessary due to revenue restraints.



# Personnel Summary

		1/1/00 FTE	1/1/01 FTE	1/1/02 FTE	1/1/03 Projected	Projected Inc/(Dec)
Office of the Mayor	Boston 2 to 6	5.0	4.0	4.0	-	(4.0)
	Intergovernmental Relations	10.0	8.0	10.0	9.0	(1.0)
	Law Department	43.0	47.0	43.0	44.0	1.0
	Mayor's Office	28.0	29.0	26.5	26.5	-
	Neighborhood Services	20.5	23.0	21.0	21.0	-
	Office of New Bostonians	-	-	1.0	1.0	-
	Public Information	17.5	19.0	17.1	17.1	-
	<b>Total</b>	<b>124.0</b>	<b>130.0</b>	<b>122.6</b>	<b>118.6</b>	<b>(4.0)</b>
Chief Operating Officer	Chief Operating Officer	9.0	9.0	10.0	9.0	(1.0)
	Consumer Affairs & Licensing	8.5	9.0	9.0	9.0	-
	Graphic Arts	38.5	37.0	40.0	40.0	-
	Human Resources	53.5	54.0	50.2	53.0	2.8
	Labor Relations	12.5	11.0	12.0	12.0	-
	Library Department	541.4	558.7	575.1	518.2	(56.9)
	Management Info Svcs	83.0	83.0	84.0	114.0	30.0
	Registry Division	20.5	21.0	22.0	21.0	(1.0)
	<b>Total</b>	<b>766.9</b>	<b>782.7</b>	<b>802.3</b>	<b>776.2</b>	<b>(26.1)</b>
Chief Financial Officer	Assessing Department	91.0	90.0	85.0	85.0	-
	Auditing Department	58.0	52.0	62.0	34.0	(28.0)
	Budget Management	30.0	27.6	27.9	27.9	-
	Purchasing Division	18.0	20.0	20.0	20.0	-
	Retirement Board	-	-	-	-	-
	Taxpayer Referral & Assistance	10.0	9.0	10.0	10.0	-
	Treasury Department	54.5	58.0	62.0	60.0	(2.0)
	<b>Total</b>	<b>261.5</b>	<b>256.6</b>	<b>266.9</b>	<b>236.9</b>	<b>(30.0)</b>
Public Safety	Fire Department	1,730.0	1,732.0	1,697.5	1,697.5	-
	Police Department	3,005.0	2,958.3	2,964.0	2,972.0	8.0
	<b>Total</b>	<b>4,735.0</b>	<b>4,690.3</b>	<b>4,661.5</b>	<b>4,669.5</b>	<b>8.0</b>
Education	School Department	8,234.7	8,437.5	8,509.5	8,336.1	(173.4)
	<b>Total</b>	<b>8,234.7</b>	<b>8,437.5</b>	<b>8,509.5</b>	<b>8,336.1</b>	<b>(173.4)</b>
Economic Development	Minority/Women Business	8.0	8.0	8.0	8.0	-
	Office of Boston RJP	9.0	10.0	10.0	10.0	-
	<b>Total</b>	<b>17.0</b>	<b>18.0</b>	<b>18.0</b>	<b>18.0</b>	<b>-</b>
Basic City Services	Central Fleet Maintenance	45.0	48.0	43.0	43.0	-
	Election	64.2	44.7	33.3	35.4	2.1
	Parks and Recreation	235.5	235.0	230.6	223.6	(7.0)
	Property & Construction Mgmt.	271.0	278.8	294.0	336.0	42.0
	Public Works Department	409.5	389.0	407.6	410.6	3.0
	Special Events & Tourism	8.0	9.0	10.0	9.0	(1.0)
	<b>Total</b>	<b>1,033.2</b>	<b>1,004.5</b>	<b>1,018.5</b>	<b>1,057.6</b>	<b>39.1</b>
Environmental Services	Environment	15.0	16.0	17.0	17.0	-
	Inspectional Services	223.5	237.6	231.0	254.0	23.0
	Transportation	441.5	438.0	437.9	411.9	(26.0)
	<b>Total</b>	<b>680.0</b>	<b>691.6</b>	<b>685.9</b>	<b>682.9</b>	<b>(3.0)</b>
Human Services	Boston Center for Youth & Families	-	-	-	374.4	374.4
	Civil Rights	6.5	8.0	8.0	8.0	-
	Community Centers	383.5	370.2	375.8	-	(375.8)
	Community Partnerships	11.0	12.0	11.0	-	(11.0)
	Cultural Affairs	9.5	8.0	7.0	8.0	1.0
	Elderly Commission	58.0	61.0	64.0	61.0	(3.0)
	Emergency Shelter	6.0	6.0	6.0	6.0	-
	Veterans Services	17.0	17.0	18.8	18.8	-
	Youth Fund	2.0	4.0	4.0	4.0	-
	Women's Commission	3.0	3.0	2.6	2.6	-
	<b>Total</b>	<b>496.5</b>	<b>489.2</b>	<b>497.2</b>	<b>482.8</b>	<b>(14.4)</b>
Neighborhood Development	Neighborhood Development	115.0	111.0	107.1	43.2	(63.9)
	Rental Housing Resource Center	15.5	15.8	14.1	15.1	1.0
	<b>Total</b>	<b>130.5</b>	<b>126.8</b>	<b>121.2</b>	<b>58.3</b>	<b>(62.9)</b>
Public Health	Public Health Commission	731.7	755.9	768.1	761.2	(6.9)
	<b>Total</b>	<b>731.7</b>	<b>755.9</b>	<b>768.1</b>	<b>761.2</b>	<b>(6.9)</b>
Non-Mayoral	City Clerk	15.5	15.0	15.0	15.0	-
	City Council	66.5	70.2	69.9	69.9	-
	Finance Commission	4.0	4.0	4.0	1.0	(3.0)
	Licensing Board	11.0	11.0	11.0	10.6	(0.4)
	Sheriff's Department	-	-	-	-	-
	<b>Total</b>	<b>97.0</b>	<b>100.2</b>	<b>99.9</b>	<b>96.5</b>	<b>(3.4)</b>
<b>Grand Total</b>		<b>17,308.0</b>	<b>17,483.3</b>	<b>17,571.6</b>	<b>17,294.6</b>	<b>(277.0)</b>



## EXTERNAL FUNDS

Supplementing the services that are provided by the City's \$1.8 billion general fund budget is approximately \$367.5 million in external funds. These funds consist mostly of federal, state and private funding earmarked for specific purposes. Education, housing, economic development, health, and county corrections are some of the largest areas for which these funds are targeted.

Nineteen departments and agencies expect to utilize federal, state or other forms of external funding in FY03. Since there are hundreds of grants and many of them are small, the focus here is on the largest grants. Approximately 95% of the City's external funds are found in six of those

the project heads toward completion with limited resources. Each of the City departments involved in the project have been given a funding allocation plan for those four years so that longer term budget planning can take place in a timely manner.

### Federal and State Grants

Some of the larger federal grants received by the City have been a vital source of funding for many years. For example, in FY03, the School Department is expected to receive \$39 million from Title I, a grant that the City has been receiving for a number of years. This funding has supplemented education programs in schools with

External Funds			
	FY01 Expenditure	FY02 Estimated	FY03 Estimated
Boston Public Schools	116,811,719	117,387,481	126,724,870
Suffolk County Sheriff	89,068,604	92,097,153	93,033,436
Neighborhood Development	69,422,350	73,200,242	75,550,160
Public Health Commission	38,232,379	42,571,791	39,647,284
Library Department	11,508,057	9,638,063	10,511,891
Police Department	9,856,973	11,094,484	6,041,779
Other	21,776,423	18,222,817	15,958,911
	356,676,505	364,212,031	367,468,331

nineteen departments. These six departments are the School Department, Sheriff's Department, Neighborhood Development, Public Health Commission, Library Department, and Police Department. Other departments that also have significant grant funding are the Elderly Commission and the Transportation Department. Descriptions and amounts for grants by department can be found in Volumes II and III.

State funding provided for the Central Artery / Third Harbor Tunnel (CA/T) related City services is not mentioned below because this significant amount of funding is diffused among several City departments. As the purpose of the CA/T funding is project-specific, the duration of this funding will not go beyond the project itself. Departments providing the most significant CA/T-related services are Transportation, Fire, Police and the Public Health Commission. The City has a current agreement with the State's Central Artery/Tunnel Project on a four year budget extension that runs through June 30, 2003. The City's funding for that four-year period reflects a significant reduction as

significant populations of low-income students. The City has also received for many years Community Development Block Grant (CDBG) funding for a variety of neighborhood development activities. Other sources of federal funding received by the City address diverse needs and/or creative approaches such as community policing, housing support for the homeless, and investment in the City's empowerment zone.

State grant funding for the City has grown most significantly over the last few years in the area of corrections. In FY94, the state funded approximately 74% of the Suffolk County Sheriffs Budget. By FY99 the amount was 93.125% of a growing budget. Over the long-term, state support for the City's Library system has also grown. The state's largest contribution for local services is in the area of K-12 education. However, most of this funding is direct to the City's general fund, in which the major requirement for receipt of the funds relates to a minimum general fund school budget. For FY03, the state is projected to distribute \$185.1 million to Boston directly to the

City's general fund in Chapter 70 educational reform aid. (This funding is not included in the table above as it is general fund revenue.) Although this source of funding generally increases on an annual basis, the FY03 projection represents a 10% decrease from the FY02 amount.

A description of the largest federal and state supported programs in the six departments managing the bulk of the City's external fund resources is given below.

#### **Neighborhood Development**

The Community Development Block Grant (CDBG) is a sizeable annual entitlement grant from the U.S. Department of Housing and Urban Development (HUD) to the City of Boston designed to fund a variety of neighborhood development activities. The City expended approximately \$26.75 million in CDBG funding in FY01, and estimates spending \$34.58 million in FY02 and \$30 million in FY03. The FY03 amount becomes available in July 2002. At least 70% of CDBG funds must be used to benefit low and moderate-income households. CDBG funds are used to produce and preserve affordable housing, revitalize neighborhood commercial districts, assist the renovation of non-profit facilities, improve vacant lots, promote and monitor fair housing activities, and assist non-profit organizations in the operation of emergency shelters, health care, youth and adult literacy programs. CDBG funds cannot be used for general government services and cannot replace funding cuts from existing public service activities. CDBG funding is also being utilized as a security for Section 108 loans.

Emergency Shelter Grant/HOPWA/Shelter Plus Care/Supportive Housing - These four federally funded grants are administered by HUD. FY02 funding will be \$14.8 million while another \$18.3 million is expected to be utilized in FY03. Funding decisions on the two competitive grant applications – Supportive Housing and Shelter Plus Care - will be announced in the fall. The Emergency Shelter and HOPWA (Housing Opportunities for Persons With AIDS) grants are entitlement grants that become available in July of each year. The Emergency Shelter grant supports the development and operations of emergency shelters for the homeless. The HOPWA program provides housing, rental assistance and support

services for persons with AIDS. The Shelter Plus Care grant program provides rental assistance for homeless people with disabilities, primarily those with serious mental illness, chronic problems with alcohol and/or drugs. Other federal, state or local sources provide the support services that must match the value of the rental assistance. The Supportive Housing Program provides service, operating and/or capital funds for a broad range of housing and social service projects. The program requires that applicants match the amount of supportive housing acquisition and development funds requested with an equal amount of funding from other sources. Shelter Plus Care and Supportive Housing are both competitive grants; the FY03 awards will be announced in the fall.

HOME Investment Partnership - The HOME Partnership Program is an entitlement grant from HUD to support the development of affordable housing. FY03 funds will become available in July 2002. The City expended \$8.75 million in this program in FY01 and estimates spending \$7.98 million in FY02. Projected spending for FY03 is \$8.1 million. Eligible activities include new construction or rehabilitation of housing, tenant-based rental assistance for up to two years, and assistance to first-time home buyers. All HOME funds must be used to benefit low and moderate-income households. Fifteen percent of HOME funds are set aside for projects sponsored by Community Housing Development Organizations and five percent is set aside for operating costs for Community Housing Development Organizations.

Section 108 Loan Project/Economic Development Initiative - Section 108 funds are available to eligible cities from HUD on an application basis. The City, through a pledge of its current and future CDBG grant awards, secures Section 108 funds. These funds can only be used for economic development projects. The Economic Development Initiative Program is a special HUD program that makes available grants to cities to spur economic opportunity. This initiative also promotes community development through a long-term strategy: a) establishing community-based partnerships; b) training residents for new job opportunities; c) developing a plan for responding to community needs by integrating economic, physical human, and other strategies. The City received two multi year grants of \$22 million each for these two programs for use within the



Empowerment Zone. (Another \$3 million was reserved for social service activities in the Empowerment Zone). The funds are used to assist new or existing smaller scale neighborhood commercial enterprises and larger scale commercial and/or industrial development projects. These funds must be used to lower the cost or lower the risk to the City on Section 108 loans made to eligible economic development projects. Spend down of these funds has been spread over the past several years.

#### **School Department**

The School Department's FY03 General Fund Budget of \$639.7 million is supplemented with approximately \$126.7 million in external funds. There are four main categories of funding: formula grants, competitive grants, reimbursements and other (private resources for the most part). Title I Entitlement and the School Lunch Reimbursement program are the two largest external funding items and make up the bulk of federal support.

Community Partnerships for Children - The Community Partnerships Program funding is the largest competitive grant received by the School Department. This is a State program to create an early education system in the City of Boston with Head Start Centers, Private Day Care Centers, and Family Based Day Care. The amount budgeted by the School Department for this program is \$15.1 million and \$13.7 million in FY02 and FY03, respectively.

Class Size Reduction - The School Department expects to receive \$7.5 million in FY03 from a federal grant program to increase staff in the classrooms – a substantial increase of about \$2.7 million from the grant received in FY02. In FY03, the City is expecting a class size reduction grant from the state in the amount of \$2.1 million.

Title I Entitlement - This federal program supplements education in schools with significant populations of low-income students. This key source of funding for the Boston Public Schools makes up a large portion of the federal formula grant funding received. The School Department estimates spending levels for this program in FY02 and FY03 of \$28.6 million and \$39 million, respectively.

School Lunch - The School Lunch program, administered by the Department of Agriculture, reimburses local school districts on a per meal basis for the costs of breakfasts and lunches for low-income students. The School Department has budgeted this federally funded reimbursement program at \$20 million for FY02 and \$21 million for FY03.

SPED 94-142 Entitlement - This is a federal formula grant in support of special education programs. The amount budgeted by the School Department in this program area for FY02 and FY03 is \$11.66 million and \$12.7 million, respectively.

#### **Public Health Commission**

Boston Healthy Start - The purpose of this project is to develop a comprehensive needs assessment and carry out a service plan to address those factors most affecting infant mortality in the City of Boston. Three project areas consist of those census tracts found to have both the highest numbers of infant deaths and the highest infant mortality rates in the City. Overall, the City has experienced significant improvement in this health area. Public Health Commission projects to receive \$1.8 million for this program in FY03.

Ryan White Care Act - This funding is intended to help communities increase the availability of primary health care and support services, increase access for under-served populations and improve the quality of life of those affected by the HIV/AIDS epidemic. Contracts support approximately 71 community agencies and 146 programs in the 10 county region of Massachusetts and southern New Hampshire. The estimated level of spending for this federally funded program is \$14.55 million for FY03.

Shelter: Long Island and Long Island Annex – Federal funding This project provides homeless services in the form of shelter, food, clothing, health care, and social services for up to 400 homeless adult men and women. The Shelter provides a room for families in crisis. Guests arrive at the shelter via shuttle bus from the Boston Medical Center campus. In addition, the Public Health Commission receives state funding for the Long Island Shelter annex in downtown Boston. This funding provides homeless services for 100



homeless clients nightly, including food, shelter, case management, and health care. Overall, projected external funding for homeless services in the Public Health Commission Budget for FY03 totals \$8.8 million.

#### **Police Department**

The Police Department's grant funding on both the federal and state level has focused most upon adding police officers and community policing.

**Same Cop, Same Neighborhood** - This neighborhood policing program is based on the belief that police officers and private citizens working together can help address community problems related to crime. The program is supported with a grant awarded by the Massachusetts Executive Office of Public Safety. The total cost of the program supported by this grant was \$3.7 million in FY01; estimated expenditures for FY02 are also \$3.7 million. For FY03 the Department has estimated funding of \$1.2 million for this program.

**BJA Block Grants** - This federal program is awarded by the Bureau of Justice for the purpose of reducing crime and improving public safety through the purchase of police equipment, the use of police overtime, and to support community partnerships for community policing. Spending for this program was \$2.1 million in FY01, and is estimated to be \$3.2 million in FY02 and \$2.6 million in FY03.

**Judicial Oversight Demonstration Initiative** - These funds, made available through the Violence Against Women Act and awarded by the U.S. Department of Justice, are being used to increase offender accountability and improve victim safety through the development and implementation of the Dorchester Domestic Violence Court. Spending from this grant is expected to be about \$1.1 million in FY02 and \$855,000 in FY03.

Overall, the level of support from the federal government for local crime control has increased significantly during the past few years. Total projected spending for all grants in FY03 is conservatively estimated at \$6 million (includes only grants that are definite) and is likely to exceed this amount. The nature of the grant programs has tended to be short-term funding that runs its course and serves its purpose and is then supplanted by new programs.

#### **Sheriff's Department**

State funding for the Sheriff's Department is mainly composed of direct funding for the operation of the department from the state's general fund. A relatively small additional piece of funding comes from Suffolk County's portion of the state deeds excise tax.

Over time, the state has shifted the various costs of running counties from the municipalities to the state. This began in the 1970s when the cost of courthouse employees was shifted to the state. In 1985, the only courthouse employees not included in the earlier shift, the maintenance workers, became state employees. Due to the burden of an increasing jail population statewide, during the 1980's the state committed to building new jails and renovating current jails in order to expand the number of cells statewide. Thus, the Suffolk County's two old and relatively dilapidated jails were replaced with new and larger facilities. The construction costs were fully paid for by the state. The state also committed to cover, at a minimum, the growing costs of corrections for municipalities beyond the 2.5% growth that could be managed with allowable property tax growth. Over time, this meant the state was covering a larger and larger portion of the county corrections cost. For Suffolk County, this has culminated with the state covering over ninety percent of the Sheriff's Department's expenses since FY97.

Direct state funding for FY03 is estimated at \$84.9M. This funding is further supplemented by \$6 million projected in FY03 in deeds excise revenue.

#### **Library Department**

Total funding for the following four state grant programs is estimated at \$8.4 million for FY02 and \$8.2 million FY03.

**Library of Last Recourse** - The Library of Last Recourse provides reference and research services for individual residents of the Commonwealth at the Boston Public Library through developing, maintaining, and preserving comprehensive collections of a research and archival nature to supplement library resources available throughout Massachusetts. The Library maintains the personal resources, expertise, and bibliographic skills needed to develop and provide access to reference and research collections.

Boston Regional Library - The Boston Regional Library System Program (BRLS), which has replaced the Eastern Regional Library System, is a cooperative organization of 105 public, academic, school and special (government, medical, non-profit, and corporate) libraries in the cities of Boston, Malden and Chelsea. Headquartered at the Boston Public Library, BRLS supports enhanced reference and information services, interlibrary loan and journal document delivery, continuing education and staff development, consulting on library operations and a variety of cooperative programs. The BRLS operates under a cost reimbursement agreement granted by the Commonwealth of Massachusetts Board of Library Commissioners.

Statewide Reference & Referral – The Boston Public Library, under contract with the Commonwealth of Massachusetts Board of Library Commissioners, provides supplemental reference and referral, journal document delivery and project management services to libraries throughout Massachusetts.

State Aid to Libraries - This funding is provided by the Commonwealth of Massachusetts Board of Library Commissioners to the Trustees of the Public Library of the City of Boston annually. The Library is required to meet certain minimum standards of free public library service established by the Board to be eligible to receive the grant.

## FY03 - FY04 BUDGET PLAN

### Introduction

In the FY97 Budget, a two-year financial projection was presented for the first time. While statutorily the City must maintain an annual budget process subject to the appropriating authority of the City Council, the second year projection provides a useful context for these decisions.

In projecting the City's operating budget for FY04, the issue of state aid stands out as the most critical for two reasons. First, while the nation appears poised on the edge of economic recovery, state tax revenues are likely to lag economic growth, and given the rapidly rising fixed costs at the state level, a structural imbalance could persist into the next fiscal year. Second, FY00 is the last year of the statutorily established funding schedule for education reform. There has yet to be

established a post-FY00 funding schedule. This leaves the City without a clear picture of the size of its Chapter 70 Education aid for FY04.

The budget for FY03 has been based on the most current available revenue picture. The FY04 plan reflects the best estimate of revenues as well as projecting the major components of expenditures given current policy and cost trends.

### Revenue Trends

The following pie chart displays the breakdown of revenue projected for FY04. (Figure 7.)

Major revenue trends for FY04 include:

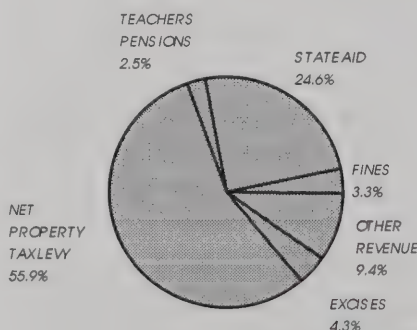
Property Tax Levy: The 2.5% increase and a projected \$17.0 million of new growth will result in \$42.5 million or 4.2% in additional tax levy.

Excises: Excises are expected to increase \$1.9 million or 2.5%, reflecting slower motor vehicle excise receipts due to expected slower motor vehicle sales than in recent years.

Fines: Fines overall are expected to increase only marginally as there are no major fine increases scheduled.

Interest on Investments: Interest income is expected to increase \$1.0 million or 6.1% as short-term interest rates and cash balances continue to recover from reductions during 2001 – 2002 recession.

Payments in Lieu of Taxes: With no new agreements expected, PILOT revenue should



**FY04 Estimated Recurring Revenue**

**Figure 7**

increase \$700,000 or 2.7%. This increase essentially captures the inflation in the current agreements.

Chapter 121A: Increases in payments are expected to total \$0.9 million or 2.3%.

Miscellaneous Department Revenue: Projected from historical trends and conservative economic assumptions, miscellaneous department income should increase \$1.0 million, or 2.5%.

Licenses and Permits: Constrained by a moderate increase of \$0.8 million in building permits, we expect a \$1 million or 4.2% increase in FY04.

Penalties & Interest: Projected to be level with FY03 in FY04.

Available Funds: A small increase from FY03 of \$100,000 is expected in FY04.

State Aid: Projected to remain level until the recovery of state tax revenues would enable a return to more normal local aid distributions. Note, the City's growth in lottery distribution in FY04 will again reflect only profit growth in the lottery.

Teachers' Pension Reimbursement: A small increase in FY04 is based on the reimbursement arrangement with the state and is reasonably predictable.

Non-Recurring Revenues: For FY04, as in FY03, \$1.9 million will be applied to the risk retention reserve plus \$876,000 to fund the costs associated with the after school initiative, through a transfer from the surplus property fund.

Budgetary Fund Balance : At this time it is unclear whether or not an appropriation from budgetary fund balance will be possible in FY04 while upholding the City's policy of maintaining a budgetary fund balance that is at least 10% of GAAP General Fund operating expenses.

Total recurring revenues in FY04 are projected to increase by \$38.4 million, or 2.2% over FY03 Budget projections. This increase is based on conservative revenue estimates and an assumption that the economy will assume a reasonable level of growth for the 27 months from today to the end of FY04.

## Expenditure Trends

The following pie chart displays the allocation of expenditures projected for FY04. (Figure 8.)

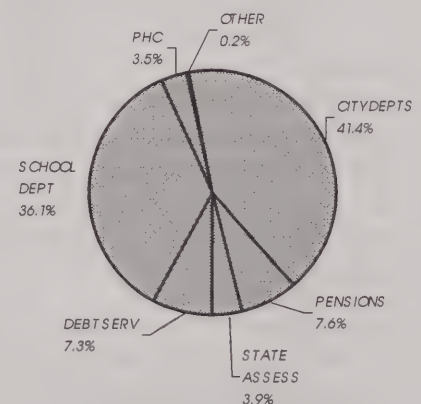
Major expenditure trends for FY04 include:

City Departments: Based on current revenue projections for FY04 and the uncertainty of the level of Chapter 70 Education Aid, along with the increases projected for FY04 fixed costs, the total appropriations for City Departments must be kept to a 0.5% increase in FY04. Inflationary increases that occur in expenses such as health insurance, utilities and trash collection and disposal contracts will make it necessary to make reductions in other areas. Many of the city's collective bargaining agreements are due to expire on June 30, 2002; any cost of living increases included in future collective bargaining agreements will have to be negotiated within the restraints of the overall 0.5% increase.

Public Health Commission: The City's net subsidy to the PHC is projected to remain level with the FY03 Budget. Due to the non-operational costs included in PHC's budget such as health benefits and pension costs the city will need to evaluate the feasibility of keeping this appropriation level during the FY04 Budget formulation process.

County Departments: Based on projected FY04 revenues, the City will propose a level funded appropriation for the County in FY04.

School Department: The FY04 Budget will be



**FY04 Estimated Expenditures  
as a Percentage of Recurring  
Revenue  
Figure 8**

allowed a modest 2% increase in FY04 to cover some of the inflationary impacts that BPS will experience.



The total appropriations under these parameters would increase by \$16.88 million in FY04 over the budget for FY03.

**Fixed Costs:** Given that the pension-funding schedule for the current city payroll, the debt service policies followed in the City's capital plan, and mandated state assessments are known, fixed costs can be predicted fairly accurately. In FY04, fixed costs will increase by \$9.47 million or 2.9%, led by an \$5.65 million or 4.4% increase in debt service due to borrowings to fund school construction and other capital projects and a \$2.55 million or 1.9% increase in pensions costs. Pension costs include a provision for expenses related to the early retirement incentive proposed for FY03.

Bottom line: Under these scenarios, the City's Operating Budget would remain balanced.

### **Planning a Balanced Budget**

Preparing a two-year planning horizon is useful because it provides time to make adjustments to relieve the cost pressures on certain services. It also promotes cost-saving or new programming alternatives to improve the financial position projected in the second year, and helps us to monitor changes in assumptions as new needs or innovations present themselves.

Much of the City's budget remains fairly stable during the year, but variances as little as 1% could add up to an \$18 million problem in the bottom line. Common areas of variance are snow removal, with year-to-year swings of millions of dollars; legal settlements, which the City attempts to reserve for but may need to absorb on a pay-as-you-go basis; public safety overtime, particularly if a significant event occurs (such as the terrorist attacks of September 11, 2001, for example), or an outside source of funding is suddenly eliminated for an essential need.

The City's fiscal controls are effective in reducing the chance for an unmanageable deficit. Managing position vacancies through the Office of Budget Management and the COO Office ensures that justifications to add personnel fit within the City's fiscal parameters. The implementation of the City's financial and human resources information system (BAIS) has raised the level of systematic

controls that can be used to project and plan for personnel funding requirements.

### **Conclusion**

This two-year overview is provided as a guide to understand the impacts of the decisions presented in the budget, and to provide a framework for future initiatives and financing proposals. Although it is not statutorily required, it is a useful tool in long-range planning and policy analysis.

From a budget planning and management standpoint, the parameters summarized here are being built upon through an interactive forecast model with key departments, to allow the development of multi-year scenarios for individual departments' operations, set within the financial constraints affecting the City's overall budget.

# CITY OF BOSTON BUDGET SUMMARY

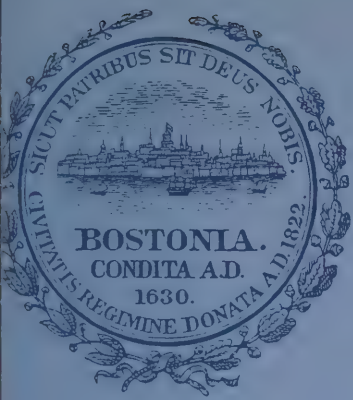
(Dollars in Millions)

	FY03 Budget	FY04 Projected
<b>REVENUES</b>		
Property Tax Levy	1,018.54	1,061.00
Overlay Reserve	(34.44)	(50.52)
Excises	75.86	77.75
Fines	59.67	59.84
Interest on Investments	16.50	17.50
Payments In Lieu of Taxes	24.46	25.12
Urban Redevelopment Chapter 121A	40.84	41.77
Misc. Department Revenue	39.84	40.83
Licenses and Permits	23.96	24.96
Penalties & Interest	8.25	8.25
Available Funds	11.85	11.94
State Aid	444.24	444.24
Teachers Pension Reimbursement	40.77	46.00
 Total Recurring Revenue	 1,770.34	 1,808.69
 Non-Recurring Revenue	 1.88	 1.88
Budgetary Fund Balance	12.00	0.00
 <b>Total Revenues</b>	 <b>1,784.21</b>	 <b>1,810.57</b>
<b>EXPENDITURES</b>		
City Departments	745.87	749.59
Public Health Commission	63.90	63.90
County	4.84	4.84
School Department	639.73	652.88
Reserve for Collective Bargaining	0.00	0.00
 Total Appropriations	 1,454.33	 1,471.21
 Pensions	 134.43	 136.98
Debt Service	126.97	132.62
State Assessments	68.49	69.76
Reserve	0.00	0.00
 Total Fixed Costs	 329.89	 339.36
 <b>Total Expenditures</b>	 <b>1,784.21</b>	 <b>1,810.57</b>
 <b>Surplus (Deficit)</b>	 <b>0.00</b>	 <b>0.00</b>

Numbers may not add due to rounding







## City Council Orders



# City Council Orders Filed by the Mayor

## **Operating Budget Orders:**

- Appropriation and Tax Order for the Fiscal Year 2003
- Appropriation Order for the Boston Public Schools for Fiscal Year 2003

## **Capital Plan Orders:**

- Nine loan orders authorized under the provisions of Chapter 44 of the General Laws:
  1. Remodeling and Extraordinary Repairs to Public Buildings - School department
  2. Remodeling and Extraordinary Repairs to Public Buildings - Various departments
  3. Bridge Construction / Reconstruction
  4. Public Ways Construction / Extension / Widening
  5. Departmental Equipment – Fire department
  6. Traffic Signal / Public Lighting Installation
  7. Acquisition Of Land; Repairs to Historic Cemeteries
  8. Acquisition Of Land; Outdoor Recreational and Athletic Facilities
  9. Computer Hardware and Software – School department
- One loan order authorized under the provisions of Chapter 642 of the Acts of 1966, as amended:
  1. General Capital Improvements – Neighborhood Development and Parks and Recreation departments

## **Lease Purchase Order**





# CITY OF BOSTON

## IN CITY COUNCIL

### **Appropriation and Tax Order for the fiscal year Commencing July 1, 2002 and ending June 30, 2003**

#### **ORDERED:**

I. That to meet the current expenses of the City of Boston and the County of Suffolk, in the fiscal year commencing July 1, 2002 and ending June 30, 2003, the respective sums of money specified in the schedules hereinafter set out, be, and the same hereby are, appropriated for expenditure under the direction of the respective boards and officers severally specified, for the several specific purposes hereinafter designated and, except for transfers lawfully made, for such purposes only said appropriations, to the extent they are for the maintenance and operation of parking meters, and the regulation of parking and other activities incident thereto (which is hereby determined to be \$10,000,000), being made out of the income from parking meters and, to the extent they are for other purposes, being made out of the proceeds from the sale of tax title possessions and receipts from tax title redemptions in addition to the total real and personal property taxes of prior years collected from July 1, 2001 up to and including March 31, 2002, as certified by the City Auditor under Section 23 of Chapter 59 of the General Laws, and out of available funds on hand July 1, 2002, as certified by the Director of Accounts under said Section 23, and the proceeds from the sale of surplus property to be transferred in an amount not to exceed \$1,876,000 pursuant to the provisions of Section 24 of Chapter 190 of the Acts of 1982 as amended by Section 4 of Chapter 701 of the Acts of 1986, and the balance of said appropriations to be raised by taxation pursuant to Section 23 of Chapter 59 of the General Laws:





## CITY DEPARTMENTS

## Mayor's Office

	Personnel Services	Contractual Services	Supplies & Materials	Current Charges & Obligations	Equipment	Special Appropriation	Structures & Improvements	Land Non-Structural Improvement	Total
111 Mayor's Office	1,509,017	147,054	25,800	12,000	0	0	0	0	1,693,871
113 Office of New Bostonians	77,978	0	0	0	0	0	0	0	77,978
150 Intergovernmental Relations	589,873	225,586	5,500	141,156	0	0	0	0	962,115
151 Law Department	2,820,279	1,962,699	60,731	120,299	30,000	0	0	0	4,994,008
411 Public Information	842,323	29,004	12,200	3,500	0	0	0	0	887,027
412 Neighborhood Services	954,797	88,400	37,100	0	3,000	0	0	0	1,083,297

## Chief Operating Officer

110 Library Department	18,953,430	5,186,295	3,122,537	404,602	341,622	0	0	0	28,008,486
114 Consumer Affairs & Licensing	382,948	38,700	15,500	3,100	0	0	0	0	440,248
142 Human Resources	2,649,411	119,650	27,908	75,918	0	0	0	0	2,872,887
144 Chief Operating Officer	812,617	113,620	3,500	500	2,500	0	0	0	932,737
145 Graphic Arts Department	1,341,439	203,511	7,700	1,400	0	66,116	0	0	1,620,166
147 Labor Relations	689,440	176,663	7,049	15,850	4,032	0	0	0	893,034
148 Health Insurance	0	0	0	102,356,398	0	0	0	0	102,356,398
149 Management & Information Svs	8,118,512	3,406,057	172,450	2,710,523	198,962	0	0	0	14,606,504
163 Registry Division	800,124	58,050	12,000	1,325	750	0	0	0	872,249
199 Unemployment Compensation	50,000	0	0	0	0	0	0	0	50,000
341 Workers' Compensation Fund	0	0	0	0	0	2,000,000	0	0	2,000,000

## Chief Financial Officer

131 Auditing Department	1,766,168	73,590	14,900	11,950	0	0	0	0	1,866,608
134 Taxpayer Referral & Assistance	401,171	17,480	18,560	550	1,140	0	0	0	438,901
136 Assessing Department	4,537,556	484,300	51,750	66,400	60,949	0	0	0	5,200,955
137, 138 Treasury Department	2,869,629	190,605	409,925	20,000	0	1,000	0	0	3,491,159
139 Medicare Payments	4,100,000	0	0	0	0	0	0	0	4,100,000
141 Budget Management	1,463,149	766,570	10,000	49,400	14,199	0	0	0	2,303,318
143 Purchasing Division	1,035,609	113,005	17,600	1,802	101,894	7,500	0	0	1,277,410
333 Execution of Courts	0	0	0	0	0	3,100,000	0	0	3,100,000
374 Pensions & Annuities - City	4,600,000	0	0	0	0	0	0	0	4,600,000

## Public Safety

211 Police Department	191,644,745	11,665,027	6,101,224	3,712,091	5,841,843	0	0	0	218,964,930
221 Fire Department	124,972,296	4,312,300	2,861,200	2,509,411	1,164,896	0	0	0	135,820,103

## Economic Development

156 Minority/Women Business	499,112	120,960	5,000	1,000	0	0	0	0	626,072
157 Boston Residents Job Policy	486,268	1,500	2,500	250	0	0	0	0	490,518

## Basic Services

121, 128 Election Department	2,436,797	279,670	244,855	44,200	1,450	0	0	0	3,006,972
180 Property & Construction Mgmt	12,370,054	4,887,292	784,563	73,955	148,525	0	0	0	18,264,389
300 Parks & Recreation Department	7,121,075	2,234,250	585,000	951,854	105,677	722,000	0	200,000	11,919,856
311 Public Works Department	17,362,172	50,030,418	737,400	427,774	1,005,536	0	300,000	0	69,863,300
321 Central Fleet Maintenance	1,550,981	133,000	186,500	15,000	183,266	0	0	0	2,068,747
331 Snow Removal	0	4,050,000	0	0	320,101	0	0	0	4,370,101
415 Special Events & Tourism	468,471	233,800	14,100	0	3,500	355,450	0	0	1,075,321



## CITY DEPARTMENTS

## Environmental Services

251,253 Transportation Department	17,532,055	8,370,454	1,252,660	130,379	433,008	0	0	0	27,718,556
260 Inspectional Services Dept	11,286,401	1,057,320	170,151	1,495,972	74,114	0	0	0	14,083,958
303 Environment Department	944,778	30,985	15,200	550	0	0	0	0	991,513

## Human Services

385 Boston Center for Youth & Families	13,991,137	3,974,609	194,000	62,856	110,304	275,000	0	0	18,607,906
387 Elderly Commission	2,266,355	331,237	102,129	5,400	11,314	0	0	0	2,716,435
403 Civil Rights	315,224	29,000	7,500	2,160	0	0	0	0	353,884
406 Emergency Shelter Commission	259,593	327,752	4,100	1,100	0	0	0	0	592,545
417 Women's Commission	146,569	14,350	3,000	1,000	0	0	0	0	164,919
448 Youth Fund	199,456	50,000	94,500	190,500	15,000	5,644,803	0	0	6,194,259
503 Cultural Affairs	349,154	333,408	56,000	5,400	0	0	0	0	743,962
741 Veterans Services Department	903,609	201,250	7,000	1,285,092	3,500	0	0	0	2,400,451

## Public Health

620 Public Health Commission	0	0	0	0	0	63,897,045	0	0	63,897,045
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## Housing &amp; Neighborhood Dev

188 Neighborhood Development	1,738,278	1,513,554	92,570	369,383	83,631	0	0	0	3,797,416
384 Rental Housing Resource Center	701,692	26,100	2,500	7,500	3,500	0	0	0	741,292

## Non-Mayoral Departments

112 City Council	3,526,878	252,400	57,000	40,125	50,000	0	0	0	3,926,403
161 City Clerk	827,040	64,650	12,500	3,950	7,249	0	0	0	915,389
193 Finance Commission	95,221	3,900	500	195	0	0	0	0	99,816
252 Licensing Board	507,697	45,750	8,300	7,000	0	0	0	0	568,747

## Other

158 Risk Retention Reserve	0	0	0	0	0	1,000,000	0	0	1,000,000
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## TOTAL CITY DEPARTMENTS

	475,868,578	107,975,775	17,634,662	117,340,770	10,325,462	77,068,914	300,000	200,000	806,714,161
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## COUNTY DEPARTMENTS

	Personnel Services	Contractual Services	Supplies & Materials	Current Charges & Obligations	Equipment	Special Appropriation	Structures & Improvements	Land Non-Structural Improvement	Total
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749 Pensions &amp; Annuities - County

	300,000	0	0	0	0	0	0	0	300,000
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811 Suffolk County Sheriff's Dept

	0	0	0	0	0	4,536,850	0	0	4,536,850
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## TOTAL COUNTY DEPARTMENTS

	300,000	0	0	0	0	4,536,850	0	0	4,836,850
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**CITY OF BOSTON**  
**IN CITY COUNCIL**

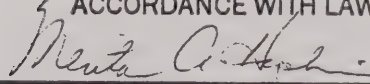
**FURTHER ORDERED:**

II. That to meet so much of the expenses of maintaining, improving and embellishing in the fiscal period commencing July 1, 2002 and ending June 30, 2003, cemeteries owned by the City of Boston, or in its charge, as is not met by the income of deposits for perpetual care on hand December 31, 2001, the respective sum of money specified in the subjoined schedule be, and the same hereby is, appropriated out of the fund set up under Chapter 13 of the Acts of 1961 the same to be expended under the direction of the Commissioner of Parks and Recreation:

400100

Cemetery Division  
Parks and Recreation Department  
\$1,849,004

I HEREBY CERTIFY THAT  
THE FOREGOING, IF PASSED IN  
THE ABOVE FORM, WILL BE IN  
ACCORDANCE WITH LAW.



MERITA A. HOPKINS  
CORPORATION COUNSEL

*ms*







CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR  
THOMAS M. MENINO

April 9, 2002

TO THE CITY COUNCIL

Dear Councilors:

I transmit herewith an appropriation order for the Boston Public Schools for FY03 in the amount of \$639,729,201, submitted pursuant to the provisions of Chapter 224 of the Acts of 1936, as amended by Chapter 190 of the Acts of 1982, as further amended by Chapter 701 of the Acts of 1986, Chapter 613 of the Acts of 1987, and Chapter 108 of the Acts of 1991.

Since I became Mayor, there has been a 56.7% increase in the City's investment of operating resources in education. This investment is beginning to show returns, yet our work is not over. This budget, which is level funded with FY02, continues my strong commitment to focus on our children's educational success.

It has been and will continue to be a year of difficult decisions, where no one department can be spared. The Superintendent and Boston School Committee, along with parents, have worked hard to preserve areas that will have the most direct impact on students. This budget succeeds in providing funds to restore eighty-eight teacher positions that had initially been targets for reduction. It also maintains the schedule of planned class size reductions across all grade levels, and provides MBTA passes to our students that rely on public transportation to get to and from school.

My commitment to schools is also illustrated through the City's Five Year Capital Plan. The City of Boston FY03-FY07 Capital Plan includes authorization for design of a major renovation and addition at the Burke High School. I continue to direct resources toward the improvement and maintenance of schools, including investment in school technology.

The Boston School Committee and the Superintendent have submitted a budget that balances competing priorities within available resources. I am confident that this budget allows us to continue the progress we have made; yet we must strive to work together and keep the momentum. I respectfully request your support of the FY03 appropriation for the Boston Public Schools.

Sincerely,

Thomas M. Menino  
Mayor of Boston

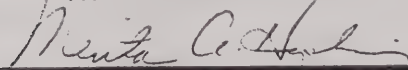


**CITY OF BOSTON**  
**IN CITY COUNCIL**

ORDERED: That pursuant to Chapter 224 of the Acts of 1936, as amended by Chapter 190 of the Acts of 1982, and as further amended by Chapter 701 of the Acts of 1986, Chapter 613 of the Acts of 1987, and Chapter 108 of the Acts of 1991, to meet the current operating expenses of the School Department in the fiscal period commencing July 1, 2002 and ending June 30, 2003, the sum of SIX HUNDRED THIRTY-NINE MILLION, SEVEN HUNDRED TWENTY-NINE THOUSAND TWO HUNDRED AND ONE DOLLARS (\$639,729,201) be, and the same hereby is, appropriated, said sum to be raised by taxation pursuant to Section 23 of Chapter 59 of the General Laws:

Boston School Department                      \$639,729,201

I HEREBY CERTIFY THAT  
THE FOREGOING, IF PASSED IN  
THE ABOVE FORM, WILL BE IN  
ACCORDANCE WITH LAW.



MERITA A. HOPKINS  
CORPORATION COUNSEL









CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR  
THOMAS M. MENINO

April 9, 2002

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order in the amount of \$22,490,000 for the remodeling, reconstructing, making extraordinary repairs to existing facilities including original equipment and landscaping, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair for the purposes of the School Department.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino  
Mayor of Boston



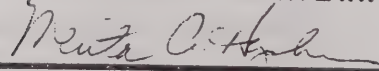




**CITY OF BOSTON**  
**IN CITY COUNCIL**

**ORDERED:** That the sum of Twenty Two Million Four Hundred Ninety Thousand Dollars (\$22,490,000) be, and hereby is, appropriated for remodeling, reconstructing, making extraordinary repairs to existing facilities including original equipment and landscaping, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair for the purposes of the School Department; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clause (3A) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on those projects as described by name attached herein.

I HEREBY CERTIFY THAT  
THE FOREGOING, IF PASSED IN  
THE ABOVE FORM, WILL BE IN  
/ ACCORDANCE WITH LAW.



\_\_\_\_\_  
MERITA A. HOPKINS  
CORPORATION COUNSEL

*ams*

## Attachment

1. Blackstone School Roof, Masonry, Windows
2. Boston Arts Academy - Windows/Masonry
3. Boston Latin Academy
4. Burke High School
5. Critical Facility Repairs FY03
6. Dickerman School
7. Ellis School
8. Fifield School Masonry
9. Fire Alarm Replacement at 6 Schools
10. Hennigan School HVAC
11. Humphrey O.R.C.
12. Jackson Mann School Waterproofing
13. Lewenberg School
14. Madison Park High School HVAC
15. McCormack School Windows
16. Mission Hill School Heating System
17. Mission Hill School Windows
18. Ohrenberger School
19. Ohrenberger School Boiler
20. Quincy School
21. Robert Shaw School
22. Roosevelt School
23. South Boston High School II
24. Technology Upgrades
25. Tynan School
26. Umana Barnes School
27. West Roxbury High School HVAC
28. Wheatley School
29. Wheatley School
30. Winship School
31. Young Achievers Pilot School II



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR  
THOMAS M. MENINO

April 9, 2002

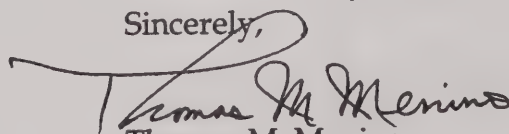
TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order in the amount of \$9,715,000 for the remodeling, reconstructing, making extraordinary repairs to existing facilities including original equipment and landscaping, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair for the purposes of various city departments including the Fire, Library, Management Information Services, Neighborhood Development, Parks and Recreation, Property and Construction Management, Public Health Commission and Transportation Departments.

I urge your Honorable Body to pass this order.

Sincerely,

  
Thomas M. Menino  
Mayor of Boston





**CITY OF BOSTON**  
**IN CITY COUNCIL**

**ORDERED:** That the sum of Nine Million Seven Hundred Fifteen Thousand Dollars (\$9,715,000) be, and hereby is, appropriated for remodeling, reconstructing, making extraordinary repairs to existing facilities including original equipment and landscaping, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair for the purposes of various city departments including the Fire, Library, Management Information Services, Neighborhood Development, Parks and Recreation, Property and Construction Management, Public Health Commission and Transportation Departments; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clause (3A) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on those projects as described by name attached herein.

I HEREBY CERTIFY THAT  
THE FOREGOING, IF PASSED IN  
THE ABOVE FORM, WILL BE IN  
ACCORDANCE WITH LAW.



MERITA A. HOPKINS  
CORPORATION COUNSEL *ms*

## Attachment

1. Critical Facility Repairs FY03
2. Engine 18
3. Engine 24
4. Engine 30
5. Exterior Repairs at 5 Fire Stations
6. Connolly Branch Library
7. Critical Facility Repairs FY03
8. Roof Repairs at 5 Branches
9. MIS Computer Room
10. Long Island Facilities / Utilities
11. George Wright Maintenance Building
12. City Hall Roof
13. Critical Facility Repairs FY03
14. Long Island Administration Building Roof
15. Southampton Street Maintenance Building



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR  
THOMAS M. MENINO

April 9, 2002

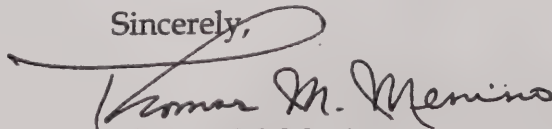
TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order in the amount of \$4,860,000 for the construction or reconstruction of bridges of stone or concrete or of iron superstructure and/or for the original construction of public ways or the extension or widening thereof, including land damages and the cost of pavement and sidewalks laid at the time of said construction, or for the construction of stone, block, brick, cement concrete, bituminous concrete, bituminous macadam or other permanent pavement of similar lasting character for the purposes of the Neighborhood Development and Public Works Departments.

I urge your Honorable Body to pass this order.

Sincerely,



Thomas M. Menino  
Mayor of Boston

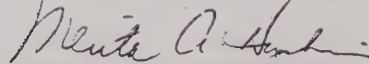




**CITY OF BOSTON**  
**IN CITY COUNCIL**

**ORDERED:** That the sum of Four Million Eight Hundred Sixty Thousand Dollars (\$4,860,000) be, and hereby is, appropriated for the construction or reconstruction of bridges of stone or concrete or of iron superstructure and/or for the original construction of public ways or the extension or widening thereof, including land damages and the cost of pavement and sidewalks laid at the time of said construction, or for the construction of stone, block, brick, cement concrete, bituminous concrete, bituminous macadam or other permanent pavement of similar lasting character for the purposes of the Neighborhood Development and Public Works Departments; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clause (4) and/or Clause (5) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on those projects as described by name attached herein.

I HEREBY CERTIFY THAT  
THE FOREGOING, IF PASSED IN  
THE ABOVE FORM, WILL BE IN  
ACCORDANCE WITH LAW.



MERITA A. HOPKINS  
CORPORATION COUNSEL *dmf*

## Attachment

1. Long Island Bridge Rehabilitation
2. American Legion Bridge
3. Bridge Engineering Overview FY03
4. Congress Street Bridge
5. McArdle Bridge
6. North Washington Street Bridge
7. North Washington Street Bridge
8. Sullivan Square Overpass



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR  
THOMAS M. MENINO

April 9, 2002

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order in the amount of \$13,660,000 for the original construction of public ways or the extension or widening thereof, including land damages and the cost of pavement and sidewalks laid at the time of said construction, or for the construction of stone, block, brick, cement concrete, bituminous concrete, bituminous macadam or other permanent pavement of similar lasting character for the purposes of the Public Works and Transportation Departments.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino  
Mayor of Boston



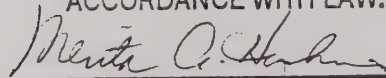




**CITY OF BOSTON**  
**IN CITY COUNCIL**

**ORDERED:** That the sum of Thirteen Million Six Hundred Sixty Thousand Dollars (\$13,660,000) be, and hereby is, appropriated for the original construction of public ways or the extension or widening thereof, including land damages and the cost of pavement and sidewalks laid at the time of said construction, or for the construction of stone, block, brick, cement concrete, bituminous concrete, bituminous macadam or other permanent pavement of similar lasting character for the purposes of the Public Works and Transportation Departments; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clause (5) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on those projects as described by name attached herein.

I HEREBY CERTIFY THAT  
THE FOREGOING, IF PASSED IN  
THE ABOVE FORM, WILL BE IN  
ACCORDANCE WITH LAW.



MERITA A. HOPKINS  
CORPORATION COUNSEL

*ms*

## Attachment

1. Belden Street
2. Boylston Street
3. Cambridge Street
4. Centre Street Phase II
5. Columbia Road Median Removal
6. Edward Everett Square
7. General Heath Square
8. Huntington Avenue
9. Massachusetts Avenue
10. Maverick Gardens Phase I
11. Maverick Gardens Phase II
12. Roadway Reconstruction FY02
13. Roadway Resurfacing FY04
14. West Broadway BHA Roadway Infrastructure
15. Business Districts/Main Streets Implementation



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR  
THOMAS M. MENINO

April 9, 2002

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order in the amount of \$2,020,000 for the purpose of the cost of departmental equipment to service the Fire Department.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino  
Mayor of Boston





**CITY OF BOSTON**  
**IN CITY COUNCIL**

**ORDERED:** That the sum of Two Million Twenty Thousand Dollars (\$2,020,000) be, and hereby is, appropriated for the cost of departmental equipment for the purposes of the Fire Department; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clause (9) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on those projects as described by name attached herein.

I HEREBY CERTIFY THAT  
THE FOREGOING, IF PASSED IN  
THE ABOVE FORM, WILL BE IN  
ACCORDANCE WITH LAW.



MERITA A. HOPKINS  
CORPORATION COUNSEL

*dns*

## Attachment

### 1. Fire Equipment FY03



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR  
THOMAS M. MENINO

April 9, 2002

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order in the amount of \$3,240,000 for street lighting installation and traffic signal equipment for the purposes of the Public Works and Transportation Departments.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino  
Mayor of Boston







# CITY OF BOSTON

## IN CITY COUNCIL

**ORDERED:** That the sum of Three Million Two Hundred Forty Thousand Dollars (\$3,240,000) be, and hereby is, appropriated for street lighting installation and traffic signal equipment for the purposes of the Public Works and Transportation Departments; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clause (14) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on those projects as described by name attached herein.

I HEREBY CERTIFY THAT  
THE FOREGOING, IF PASSED IN  
THE ABOVE FORM, WILL BE IN  
ACCORDANCE WITH LAW.

*Merita A. Hopkins*

MERITA A. HOPKINS  
CORPORATION COUNSEL

*dhf*

## Attachment

1. Street Lighting Installation FY03
2. Traffic Signal Equipment FY03-07



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR  
THOMAS M. MENINO

April 9, 2002

TO THE CITY COUNCIL

Dear Councilors:

I transmit herewith for your approval an appropriation order in the amount of \$280,000 for developing land for burial purposes and for constructing paths and avenues and embellishing the grounds in city owned cemeteries.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino  
Mayor of Boston

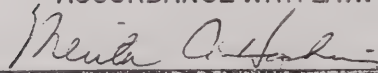




**CITY OF BOSTON**  
**IN CITY COUNCIL**

**ORDERED:** That the sum of Two Hundred Eighty Thousand Dollars (\$280,000) be, and hereby is, appropriated for developing land for burial purposes and for constructing paths and avenues and embellishing the grounds in city owned cemeteries, under the management of the Parks and Recreation Department; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clause (20) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, on request of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized be expended only on those projects as described by name attached herein.

I HEREBY CERTIFY THAT  
THE FOREGOING, IF PASSED IN  
THE ABOVE FORM, WILL BE IN  
ACCORDANCE WITH LAW.



MERITA A. HOPKINS  
CORPORATION COUNSEL

*ms*

## Attachment

### 1. Historic Cemeteries FY02-04



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR  
THOMAS M. MENINO

April 9, 2002

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order in the amount of \$8,645,000 for the purpose of the construction of municipal outdoor recreational and athletic facilities, including the acquisition and development of land and the construction and reconstruction of such facilities, for the purposes of the Parks and Recreation Department.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino  
Mayor of Boston

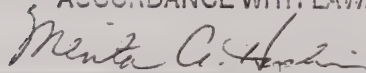




**CITY OF BOSTON**  
**IN CITY COUNCIL**

**ORDERED:** That the sum of Eight Million Six Hundred Forty Five Thousand Dollars (\$8,645,000) be, and hereby is, appropriated for the construction of municipal outdoor recreational and athletic facilities, including the acquisition and development of land and the construction and reconstruction of such facilities, for the purposes of the Parks and Recreation Department; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clause (25) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on those projects as described by name attached herein.

I HEREBY CERTIFY THAT  
THE FOREGOING, IF PASSED IN  
THE ABOVE FORM, WILL BE IN  
ACCORDANCE WITH LAW.



MERITA A. HOPKINS  
CORPORATION COUNSEL

*dhf*

## Attachment

1. Christopher Columbus Park (Waterfront)
2. Court Renovations FY03
3. Dorothy Curran Playlot
4. English High Field
5. General Parks Improvements FY01-04
6. George Wright Golf Course
7. Harambee Park
8. Joe Moakley Park Synthetic Turf
9. McLaughlin Playground
10. Muddy River Stormwater Controls and Dredging



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR  
THOMAS M. MENINO

April 9, 2002

TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order in the amount of \$205,000 for the development, design, purchase, installation and operation of computer hardware, computer software, other data processing equipment and computer assisted integrated financial management and accounting systems, for the purpose of the School Department.

I urge your Honorable Body to pass this order.

Sincerely,

Thomas M. Menino  
Mayor of Boston



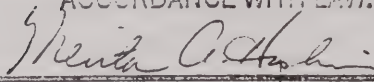




**CITY OF BOSTON**  
**IN CITY COUNCIL**

**ORDERED:** That the sum of Two Hundred Five Thousand Dollars (\$205,000) be, and hereby is, appropriated for the development, design, purchase, installation and operation of computer hardware, computer software, other data processing equipment and computer assisted integrated financial management and accounting systems, for the purpose of the School Department; and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Clause (28) and/or (29) of Section 7 of Chapter 44 of the General Laws, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized be expended only on those projects as described by name attached herein.

I HEREBY CERTIFY THAT  
THE FOREGOING, IF PASSED IN  
THE ABOVE FORM, WILL BE IN  
ACCORDANCE WITH LAW.



MERITA A. HOPKINS  
CORPORATION COUNSEL



Attachment

1. Computer Technology FY03



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR  
THOMAS M. MENINO

April 9, 2002

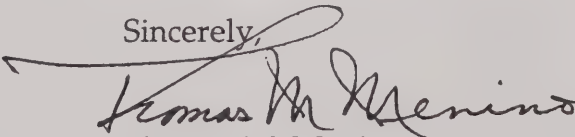
TO THE CITY COUNCIL

Dear City Councilors:

I transmit herewith for your approval an appropriation order in the amount of \$810,000 for the purpose of planning, designing, acquiring land for, constructing and originally equipping structures and facilities and for remodeling, reconstructing, or making major alterations, additions and major repairs to existing facilities for the purposes of the Neighborhood Development and Parks and Recreation Departments.

I urge your Honorable Body to pass this order.

Sincerely,



Thomas M. Menino  
Mayor of Boston





**CITY OF BOSTON**  
**IN CITY COUNCIL**

**ORDERED:** That the sum of Eight Hundred Ten Thousand Dollars (\$810,000) be, and hereby is, appropriated for the planning, designing, acquiring land for, constructing and originally equipping structures and facilities and for remodeling, reconstructing, or making major alterations, additions and major repairs to existing facilities including original equipment and landscaping, including the planting of shade trees, paving and other site improvements incidental or directly related to such remodeling, reconstruction or repair for the purposes of the Neighborhood Development and Parks and Recreation Departments, and that to meet said appropriation the Collector/Treasurer be, and hereby is, authorized under the provisions of Chapter 642 of the Acts of 1966, as amended, to issue from time to time, with the approval of the Mayor, bonds, notes or certificates of indebtedness of the City up to said amount, provided that the appropriation authorized through this order be expended only on the project as described by name attached herein.

I HEREBY CERTIFY THAT  
THE FOREGOING, IF PASSED IN  
THE ABOVE FORM, WILL BE IN  
ACCORDANCE WITH LAW.



MERITA A. HOPKINS  
CORPORATION COUNSEL

*ms*

## Attachment

1. Long Island Pier Facility
2. Street Tree Planting FY02-04



CITY OF BOSTON • MASSACHUSETTS

OFFICE OF THE MAYOR  
THOMAS M. MENINO

April 9, 2002

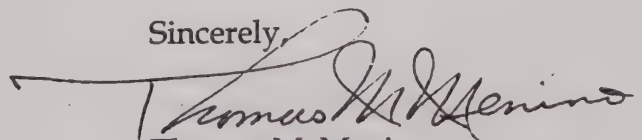
TO THE CITY COUNCIL

Dear Councilors:

I transmit herewith for your approval an order authorizing the City of Boston to enter into one or more lease, lease-purchase or installment sales agreements in Fiscal Year 2003 in an amount not to exceed \$3,500,000 and in Fiscal Year 2004, in an amount not to exceed \$5,000,000. These funds will be used by different City departments for the acquisition of equipment in furtherance of their respective governmental functions. The list of equipment includes: computer equipment (hardware and software), motor vehicles and trailers, firefighting equipment, office equipment, photocopying equipment, telecommunications equipment, medical equipment, school and educational equipment, school buses, parking meters, and equipment functionally related to, and components of, the foregoing.

I urge your Honorable Body to pass this order as expeditiously as possible to ensure the successful completion of the equipment acquisition program.

Sincerely,

  
Thomas M. Menino  
Mayor of Boston



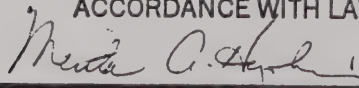


**CITY OF BOSTON**  
**IN CITY COUNCIL**

**ORDERED:** That pursuant to section 11 of Chapter 643 of the Acts of 1983, the City of Boston, acting by and through its Purchasing Agent and its Collector-Treasurer, with the approval of the Mayor, is authorized to acquire the following departmental equipment by entering into one or more lease, lease-purchase or installment sales agreements in Fiscal Year 2003, in an amount not to exceed \$3,500,000 and in Fiscal Year 2004 in an amount not to exceed \$5,000,000, in such form or forms as the Purchasing Agent and Collector-Treasurer may determine with the approval of the Mayor; computer equipment (hardware and software), motor vehicles and trailers, firefighting equipment, office equipment, photocopying equipment, telecommunications equipment, medical equipment, school and educational equipment, school buses, parking meters, and equipment functionally related to, and components of, the foregoing.

**AND FURTHER ORDERED:** That pursuant to section 9 of Chapter 643 of the Acts of 1983, the Collector-Treasurer be, and hereby is, authorized to execute and deliver, as appropriate, on behalf of the City of Boston, with the approval of the Mayor, trust, security and/or lease agreements and/or reimbursement agreements with attached letters of credit, and to procure, as appropriate, insurance to secure the City's obligation as authorized above, all in such form or forms as the Collector/Treasurer may determine with the approval of the Mayor.

I HEREBY CERTIFY THAT  
THE FOREGOING, IF PASSED IN  
THE ABOVE FORM, WILL BE IN  
ACCORDANCE WITH LAW.



MERITA A. HOPKINS  
CORPORATION COUNSEL







# Revenue Estimates and Analysis





# Revenue Estimates and Analysis

## OVERVIEW

The FY03 Budget is supported with \$1.770 billion in recurring revenue, an increase of \$0.7 million over the FY02 Budget (excluding non-recurring revenue). The budget also includes \$1.9 million in non-recurring revenue and 12.0 million from budgetary fund balance (see *Financial Management* chapter of this volume) yielding total revenue of \$1.784 billion, an increase of \$12.7 million, or 0.7% over FY02. FY03 will represent the first year that revenue grew at less than 1% after nine straight years of growth (Figure 1.) This

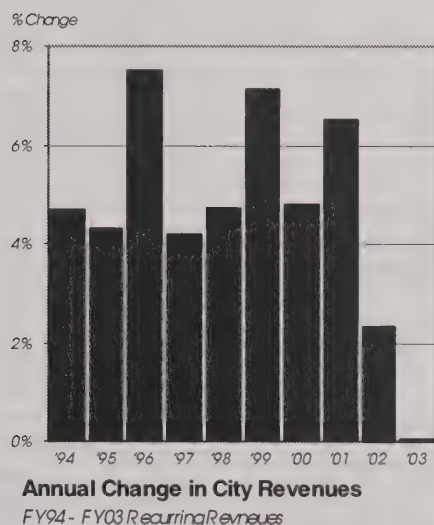


Figure 1

decline is directly attributable to a reduction in state aid as a result of the 2001 – 2002 national recession that began in March of 2001.

This chapter begins with a review of national and state economic trends that have and will impact Boston in FY03 and beyond. It is followed by an analysis of recent state budget trends and related implications for state aid, the City's second largest revenue source. Finally, a detailed discussion of the property tax levy, the City's largest revenue source, is presented. Net property tax and state

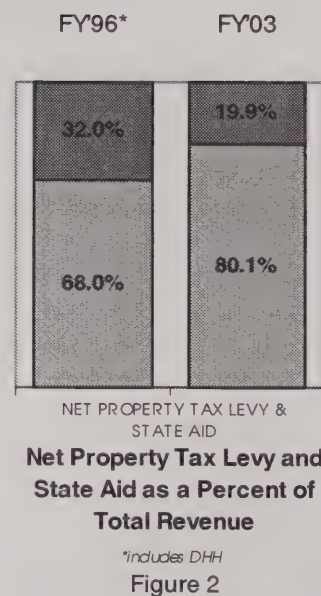


Figure 2

aid together make up 80.1% of total City revenues and their continued stability is becoming more and more critical in determining the City's ability to deliver adequate services while maintaining fiscal stability and a balanced budget. (Figure 2.)

## THE NATION

The United States is currently recovering from a recession that is sure to be one of the mildest on record, but accompanied throughout by the uncertainty and economic fallout produced by the events of September 11. The retrenchment of the economy following the longest peace-time expansion in United States history has been less traumatic than expected with businesses quickly liquidating excess inventories and consumer spending holding up by way of low interest rates and non-existent inflation. It remains to be seen whether this recovery will bring back steady growth or perhaps a quick boom from inventory replenishment and then contraction – a "double-dip" recession.

Currently the Federal Reserve is maintaining a holding pattern on the Federal Funds Rate at the January 2002, 40 year low of 1.75%, and will surely

attempt to use monetary policy to balance any economic expansion or thwart any contraction. The Federal Reserve, already reducing interest rates since January 2001, acted promptly to cut rates further after the September 11 attacks. Since January 2001, the Federal Funds Rate and Discount Rate have been cut eleven times. The Federal Reserve has recently set its risk bias between economic weakness and strength, to "neutral", waiting for further economic information before deciding whether to implement further cuts or raise rates to control the resumed growth of the economy. Bond traders at the Chicago Board of Trade's Fed Funds Futures

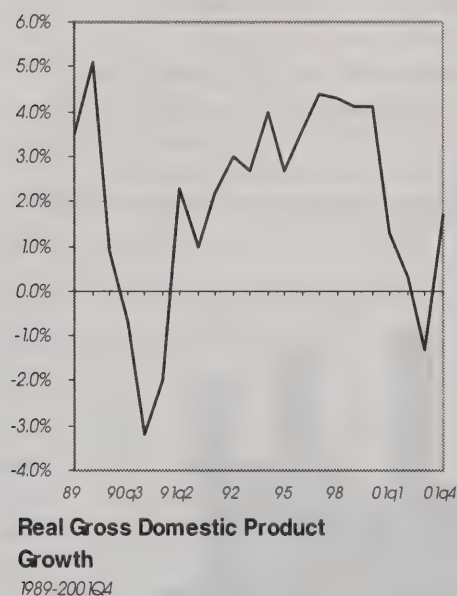


Figure 3

Market are currently pricing into yields a 100% probability of a 25 basis point Federal Funds rate increase at the June 25/26, 2002 Federal Open Market Committee (FOMC) meeting.

Higher interest rates slow the economy by making money more expensive to borrow for such things as consumer durables and home purchases. The past year of historically low interest rates has spurred record car sales and homes sales and refinancing, despite slack labor market conditions and the loss of stock market wealth.

Automobile financing costs recently dropped to near zero through special incentive offers from manufacturers to clear built-up inventories, yielding a second record year of sales. The conventional 30-year fixed-rate mortgage in February 2002 was 6.62%, down from 7.16% a year earlier and very near the 30-year low of 6.39% in

October 2001. Mortgage rates have likely reached bottom, and having recently begun to rise, are expected to rise further throughout 2002 and 2003. Mortgage refinancing, which has likely fueled a great deal of consumer spending, has slowed as mortgage rates have been historically low long enough that the pool of refinanciers has been refinanced. Therefore, the housing market, which likely kept the nation out of full-blown recession, should slow as should consumer spending on big-ticket items, as interest rates rise to offset the risk of general price level increases. But the housing market should remain healthily enough, if somewhat less appreciable, for the foreseeable future albeit, without being a major boost to economic recovery.

Real gross domestic product (GDP) grew at 1.7% in the fourth quarter of 2001 (preliminary), down from 1.9% in the fourth quarter of 2000, but up from -1.3% in the third quarter of 2001. Real GDP

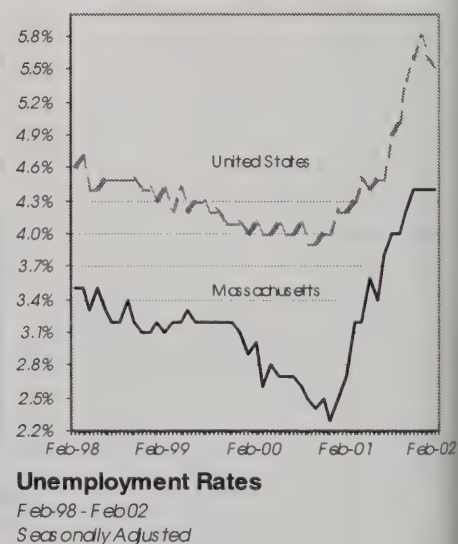


Figure 4

is expected to increase further over the course of 2002 and into 2003. The seasonally adjusted unemployment rate in the U.S. was 5.5% in February 2002, sharply up from 4.2% a year earlier but down from 5.8% in January of this year (Figure 4.). The unemployment rate is expected to continue its rise through the summer of 2002 as businesses seek to return to profitability by way of increased productivity in the short term and by utilizing excess capacity in the longer term.

The U.S. consumer price index rose 1.1% in the year ending January 2002, down sharply from 3.7%



for the year ending January 2001. The largest decrease came in the form of lower energy prices across the nation, which were down 15.3%, or back to their January 2000 levels.

Due to the recent poor health of the national economy, federal tax revenues have sharply declined over the year. The Federal Government now expects to finish FY02 (ending September 30, 2002) in deficit due to increased defense spending and economic stimulus. Given this and the ambiguous projections of when surpluses will return, the states should worry about less federal funds coming in the next year and possibly the following years until the economy fully recovers, spending priorities shift, and federal revenues return to surplus.

### **THE COMMONWEALTH**

The decline in economic growth in Massachusetts during this recession was both better and worse than that of the rest of the nation. For the better, is the absence of specific regional economic hindrances that weighed heavily on the state in the last recession. Such things as strong housing appreciation having a positive effect during this recession by using that higher than average appreciation to keep consumer spending afloat throughout the downturn and, a lower reliance on manufacturing industries hit hard nationally by excessive inventories and cheap import prices. For the worse, is that the Massachusetts economy boasts many businesses in the high-tech and financial services sectors and a high incidence of capital gain, interest and dividend, and bonus-related personal income, all of which were greatly affected by the bursting internet bubble.

Employment growth has slowed as Massachusetts. Seasonally adjusted non-farm payrolls showed a loss of 61,900 jobs in January 2002, or 1.8% below the prior January, but a gain of 26,800 jobs or 0.8% over January 2000. The Massachusetts seasonally adjusted unemployment rate for February 2002 was 4.4%, up from 2.7% in February 2001, which was just above the ten-year low of 2.5% in October 2000. (Figure 4.)

The state may have seen its peak in non-residential building activity in 2001. Through the calendar year 2001, an index of the value of construction contracts in Massachusetts, averaged over the year, declined 12.5% from the prior year's average, and settled near a more normal level

close to the average of the prior three years. Non-residential construction contract values declined by 12% after increasing 30% the prior year, while residential contract values grew by 17%. The residential growth was stronger than the .4% annual increase from 1999 to 2000, and much stronger than the 18% percent decline in annual growth in 1999. Low interest rates and continued demand for homes has kept residential building strong.

Massachusetts' personal income growth slowed through the third quarter of 2001. Earnings growth by industry were strongest in construction and government, both growing around 5.5%. Earnings in manufacturing and wholesale trade declined 1.1% and 5.1%, respectively. Massachusetts seasonally adjusted total personal income growth was 4.2% in the third quarter of 2001 over the same quarter of 2000, significantly below the 10.2% growth recorded a year earlier.

The Massachusetts economy has been changing from an economy dependent on defense and other types of manufacturing to a service economy. In 1980, manufacturing industry employment accounted for approximately 25% of total non-farm employment in Massachusetts, by 1990 it accounted for 17.5%, and by 2000 it accounted for only 13.1%. Meanwhile, in 2001, employment in the finance, insurance, real estate, and services industries accounted for 43.9% of total non-farm employment in Massachusetts, up from 37.8% in 1990 and 30% in 1980.

### **THE COMMONWEALTH BUDGET**

Over the last nine years, the Commonwealth has been successful in balancing its budget. This has given the Commonwealth the capacity to support an adequate and diversified local revenue base for municipalities. Recently growth in state aid has slowed due to the national economic recession and the corresponding drop in state tax revenues leaving the state in need of drawing on reserves, possibly increasing taxes or freezing tax cuts already enacted. Municipalities are now primarily reliant on the property tax not only for revenue growth, but also to offset likely state aid reductions. The following summarizes the Commonwealth's budget situation with the purpose of reflecting upon the Commonwealth's capacity to continue to provide growth in its local

aid program for cities, towns and regional school districts.

The state legislature is currently formulating an FY03 Budget amid ever-shrinking tax revenue collections. Indications are that the House and Senate will have to consider tax increases to support this budget, the imposition of which the Governor strictly opposes. Differing views over how to address these issues and election year political races may result in difficulty setting priorities and executing spending cuts or tax increases.

The State Aid portion of the City's budget is based on the House Ways and Means expectation that state aid to cities and towns will have to be cut by 10% from its FY02 level. This puts the City at risk of losing substantial funds in the coming fiscal year and will result in significant expenditure reductions. To counteract these potential cuts, the City has taken steps to increase revenue in several key areas. One requires legislative approval, the other two, City Council approval. In a recent speech, the Mayor announced the City's desire for a 1% local option tax on prepared food and beverages sold in municipalities in addition to the 5% state meals tax already in place. If the Legislature were to adopt this local option revenue stream, the City could recover an estimated \$15 million annually. Additionally, the City proposes the implementation of a telecommunication fee for the use of the public rights of way. Other cities across the country have required that businesses that profit from the use of publicly-owned assets compensate the public for the use of those assets. This fee would recover approximately \$9 million annually in revenues depending on how the ordinance is structured. Since City and State legislative action is required, the FY03 Budget does not assume revenue derived from these new sources in FY03. And last, the City intends to raise several permitting and licensing fees that have been level for years to collect another \$1.5 million annually. These revenues are assumed in the FY03 Budget (See *Financial Management* chapter of this volume).

The Commonwealth has tended to build its budgets cautiously the last several years by being relatively conservative in its revenue estimates. This caution has been rewarded through the accumulation of reserves that have allowed the state more options in dealing with the current

revenue shortfall than in the past. The state has used significant reserves in the current fiscal year and debate is raging over how much more to use in the coming years. According to the Governor's FY03 Proposed Budget (House 1), total FY03 revenues are expected to be \$22.6 billion, an increase of \$800 million, or 3.7% from FY02 projected revenues of \$21.8 billion. This growth is net of tax cuts valued at nearly \$580 million in FY03.

With the Commonwealth running large budget surpluses over the past few years, tax cuts continued to occur. In July 1998, the Legislature and the Governor worked out a tax cut that included a doubling of the personal exemption and a reduction in the unearned income tax rate from 12% to 5.95%. In the FY00 Budget, the Governor signed into law a reduction of the earned income tax rate from 5.95% to 5.75% over three tax years. The Governor's FY01 Budget recommended a reduction in the tax rate on earned income and the interest and dividend components of unearned income to 5.0% over three tax years, which was later passed by referendum in November of 2000. The FY02 Budget included the above rate cut and some smaller targeted tax cuts taking effect in tax year 2001 such as; a refundable local property tax credit for low income senior citizens, an increase in the rental deduction, a new deduction for charitable donations, and a credit for developers of low income housing. The FY03 Budget includes the continuation of the voter-approved income tax rate reduction valued at \$452 million in FY03.

On the expenditure side, the Governor's Office has built its FY03 Budget with fairly conservative spending plans. In the Governor's proposed FY03 Budget, projected expenditures in FY03 total \$23.5 billion, a \$611 million increase, or 2.7% over FY02 projected expenditures of \$22.9 billion. When comparing the revenues stated earlier with the expenditures above, it becomes clear that the Governor's proposed budget requires the use of some \$900 million in reserves or other funds to be balanced.

## STATE LOCAL AID

In the past decade, Commonwealth officials, driven by practical considerations and availability of resources, reinstated increases in local aid in the form of aid earmarked for education. This period of increases followed three years of



significant local aid reductions, which played a key role in the Commonwealth's return to a balanced budget. The Commonwealth's annual expenditure for direct local aid statewide has increased from \$2.1 billion in FY92 to the \$5.2 billion proposed in the Governor's FY02 Budget, an increase of 147%. Over the same time period, Boston's local aid increased 50.5%. The following section looks at Boston's experience with local aid in detail.

Local aid refers primarily to distributions from the Commonwealth to municipal general revenues for Chapter 70 education aid, additional assistance and lottery aid. The amount of these funds to be distributed is listed on each community's cherry sheet (a listing of a city or town's local aid that is printed on cherry-colored paper) along with other relatively smaller Commonwealth programs such as library aid, school construction, transportation and other reimbursements, and highway funds. As mentioned above, due to state budget shortfalls in FY02 and projected shortfalls in FY03, the Massachusetts House of Representatives has notified municipalities that local aid will have to be reduced in order to balance the budget. In a letter sent to local officials, the House Ways and Means Committee Chairman cited the need for reductions on the order of 10% from FY02 cherry sheet figures. The City has taken heed of this warning, and FY03 State Aid estimates reflect just that. The City received local aid from the Commonwealth totaling \$474.9 million in FY00, \$483.8 million in FY01, and has a budget of \$505.2 million in FY02. The City expects \$444.2 million of local aid in FY03.

Since FY82, there have been three distinct phases in state local aid funding policy. From FY82 through FY89, local aid policy was essentially a revenue sharing response to Proposition 2 1/2, the statewide cap on local property tax rates and levies. A reasonable annual increase in local aid became an essential component in the financial planning for municipalities. This phase was followed by significant state aid reductions implemented during the FY90, FY91 and FY92 budgets. During this period, the Governor and the Legislature sharply reduced state revenue sharing with cities, towns, and regional school districts in order to help balance the state budget. Between FY89 and FY92, statewide cherry sheet aid declined \$602 million or 20% while all other state spending increased by \$1.5 billion or 15%.

Beginning in 1993 with the passage of the FY94 state budget, the Commonwealth embarked upon a multi-year commitment to increase and equalize funding for local education in its local aid distributions. In general, state local aid during the FY94-FY02 period has been less favorable for Boston than the revenue sharing arrangement during the FY83-FY89 period. To illustrate, the City's total state aid between FY92 and expected FY02 increased by \$166 million or 50.5%, while its total state aid between FY82 and FY89 increased by \$214.8 million or 111.1%. The City's expected FY03 state aid decrease of \$50.4 million represents a 10% decrease from FY02 Cherry Sheet figures, or an overall decrease to the FY99 levels of state aid to the City.

The expected state budget for FY03 decreases education aid by 10% from FY02. The City received Chapter 70 education aid totaling \$186.2 million in FY00 and \$197.5 million in FY01 and \$205.6 million in FY02. The City expects to receive \$185.1 million in FY03. FY00 was the last year of the statutorily established funding schedule for education reform. There has yet to be established a post-FY00 funding schedule. A vital component in the City's delivery of quality public education in the near-term is strong financial support from the Commonwealth. It appears likely that the City will return to just below FY00 funding levels in FY03.

A key component of the Commonwealth's education reform efforts are the charter schools. The current educational aid is delivered in tandem with state-mandated costs for charter schools. Charter schools, which are granted charters by the State Board of Education, are publicly funded schools administered independently from local school committee and teacher union rules and regulations. There are two kinds of charter schools, the Commonwealth charter school and the Horace Mann charter school. The former is a school outside the local public school system and the latter is part or all of a school in the public school system. Unlike a Commonwealth Charter school, Horace Mann charter school budgets remain part of the public school budget. In addition to the Board of Education, the local school committee and local bargaining agent must approve Horace Mann charter schools.

There are currently thirteen Commonwealth charter schools available to Boston residents and two more are scheduled to open in Boston in



September 2002. In addition to the Commonwealth charter schools, there are also two Horace Mann charter schools operating in Boston. There are approximately 2,839 Boston resident students attending charter schools and the City expects that number to grow to approximately 3,564 in FY03.

Before FY99, all charter school tuition was drawn directly from the City's Chapter 70 aid. This draw on the City's education aid totaled \$10.9 million in FY98. Under recent amendments to the charter school law, the Commonwealth will pay to the City, as reimbursement for Chapter 70 aid reductions, 100% of tuition for new charter school students the first year, followed by 60% of tuition and tuition increases the second year, 40% of tuition and tuition increases the third year and 0% of tuition and tuition increases thereafter. The net expenditure impact of the charter schools in FY01 was \$14.4 million after a \$7.5 million reimbursement from the Commonwealth. The City has budgeted \$18.9 million to be the net expenditure impact of the charter schools in FY02 after receiving a \$8.3 million reimbursement from the Commonwealth. The City expects \$23.1 million to be the net expenditure impact in FY03 after a \$10.6 million reimbursement, this assumes a 10% cut to current law rather than the Governor's budget proposal to reduce reimbursements to 33% of charter school tuition in the first year only. In the long term, it is assumed that the charter schools that thrive will increase overall enrollment, which in succeeding years will increase funding for the school district in the Chapter 70 formula and mitigate the negative fiscal impact of charter schools on the City's traditional public schools.

Lottery aid for the City, as for most municipalities, has grown steadily over the last few years as a result of a state decision to phase-out the lottery cap and revert to the practice of returning all lottery profits to the cities and towns. FY00 was the fifth and final year of the state's plan. The City's lottery aid was \$63.1 million in FY00 and \$71.0 million in FY01. The City expects that FY02 lottery aid will meet the budget estimate of \$63.5 million. The City expects to receive the same amount in lottery aid in FY03. The current lottery formula is not favorable to the City because it distributes lottery aid increases based inversely upon each municipality's relative per capita

property wealth. The City receives a smaller percentage share of lottery aid than its share of the state population, and dramatically less than the share of lottery proceeds derived from sales in Boston. Nevertheless, lottery aid has been an important source of revenue growth, aiding the City's efforts to sustain adequate municipal services. During the last four years, Boston's lottery distribution has reflected both lottery profit growth and the phasing out of the diversion of lottery funds to the Commonwealth. Beginning in FY01, growth in the City's lottery distribution reflects only profit growth in the lottery.

## PROPERTY TAX LEVY

The property tax levy has been the City's largest and most dependable source of revenue growth during the past 18 years. In FY02, the net property tax levy was \$925.9 million, providing 52.4% of all City recurring revenue, with an increase to \$984.1 million expected in FY03. According to current estimates, the net property tax levy will account for 55.6% of total recurring revenue in FY03.

The increases in the property tax levy have been steady and consistent from FY85 to FY02, ranging from \$28 million to \$55 million. However, because of the increasing property tax levy base, the \$29.9 million increase in FY85 represented an 8.9% increase, while the \$54.3 million rise in FY02 represented 5.9% growth. It is important for the financial health of the City that the property tax levy continue to grow but its future growth, as explained in more detail below, is not guaranteed.

Proposition 2 1/2 has been the overwhelming factor affecting the City's property tax levy since being passed in 1980. Proposition 2 1/2 limits the property tax levy in a city or town to no more than 2.5% of the total fair cash value of all taxable real and personal property. It also limits the total property tax levy to no more than a 2.5% increase over the prior year's total levy with certain provisions for new growth and construction. Finally, Proposition 2 1/2 provides for local overrides of the levy limit and a local option to exclude certain debt from the limit. The City of Boston, however, has not voted to either override the levy limitations or exclude any debt from the limit.

Proposition 2 1/2, as amended in 1991, allows growth in the levy beyond the 2.5% limit for any new properties and any increases in property

valuations that are not related to municipal-wide revaluations. This limitation is more flexible than the original limitations on allowable new growth and has helped to strengthen revenue growth in a budget that does not have a very diversified revenue base.

In each year since FY85, the City has increased its levy by the allowable 2.5%. These increases have grown as the levy has grown, beginning in FY85 at \$8.4 million and reaching \$22.9 million in FY02. During these same years, the levy has also been positively impacted by taxable new value, especially from new construction that has added to the tax base. The amount levied from taxable new value is estimated at \$22 million in FY03. The combined effect of the allowable 2.5% increase and the taxable new value is an average annual levy increase from FY98 through FY02 of \$44.9 million or 5.2%, and a projected increase in FY03 of \$46.3 million or 4.8%.

From FY85 through FY89, assessed property values in Boston increased at an average annual rate of about 22%, far outpacing the capped growth in the levy. Most of this increase was due to appreciation in the value of existing properties. This disparity between value appreciation and levy growth caused a significant downward trend in the property tax rate. The City's effective property tax rate in FY84 was 2.5%. By FY89, the effective property tax rate had fallen to 1.4%. When the disparity between growth in value and growth in the levy flows in this direction, the City's property tax base becomes more protected (i.e. more distant from the 2.5% limit).

What occurred in the Boston real estate market beginning in 1988 significantly reversed the FY85 through FY89 property tax trends described above (which reflect real estate activity in calendar years 1983 through 1987). As economic activity slowed, Boston's real estate values leveled off. Then, as the New England region experienced a deep recession, activity in both the commercial and residential markets slowed more dramatically. Office vacancy rates increased and downtown development came to a near standstill.

All of this was reflected in the fourth citywide revaluation, establishing values as of January 1, 1991 at \$29.8 billion. This represented an 18.1% decline from the prior years total taxable value. This was followed by an 8.4% trending down for

January 1, 1992 values at \$27.3 billion and a 1.9% decline for January 1, 1993 to \$26.8 billion. The January 1, 1994 values, established by the fifth citywide revaluation, showed a 5.0% increase to \$28.1 billion. This was followed by increases in taxable value of 4.5% and 5.5% in the following two years. The sixth citywide revaluation that established values as of January 1, 1997, showed a 9.0% increase to \$33.8 billion. This was followed by increases in taxable value of 6.8% to \$36.1 billion in FY99 and 10.8% to \$39.9 billion in FY00. The seventh citywide valuation that established values as of January 1, 2001, showed a remarkable 26% increase to \$50.5 billion in FY01. Growth has since settled some as FY02 taxable value increased to \$54.2 billion, or by 7.3%. These last seven measures of taxable City property values have demonstrated recovery and strength in the City's real estate market since the significant fall in values in the early part of the 1990's.

As values decreased in the early 1990s, the City continued each year to maximize the allowable levy increase under Proposition 2 1/2. Between FY90 and FY94, the levy increased each year by an average of 6.4%. The dramatic decrease in values brought the effective tax rate (levy / taxable value) from its healthy low point of 1.4% in FY89 to 2.47% in FY94, dangerously close to the Proposition 2 1/2 tax rate ceiling of 2.5%. Reaching the 2.5% cap would have resulted in the allowable 2.5% annual levy growth being reduced in a low value growth year. However, subsequent to the seven years of total taxable value increases described above, the City now has some space between its FY02 net effective tax rate of 1.8% and the tax rate ceiling. (Figure 5.)

Across the nation the housing market remained strong throughout the year and recession and Boston is no exception. The growth in the median sales price of existing single-family homes in the Boston metro area softened over the course of 2001. After rising at better than 10% per year since 1996, the 2000 annual average growth in prices dropped to 8.3%. Apartment rents have are up even as vacancy rates have risen very little, and the market is still one of the tightest in the nation with average monthly asking rents around \$1,530 and an average vacancy rate of 2.3% as of fourth quarter 2001.



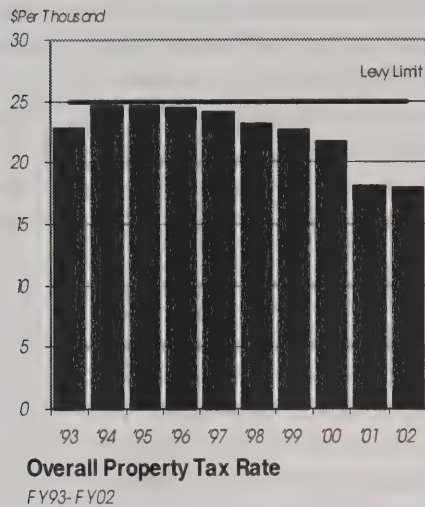


Figure 5

The continued improvement in the variables that have influenced investors to go forward with commercial and residential development projects may have finally peaked this year. Although interest rates are still low and in most parts of Boston, single-family home prices continue to rise

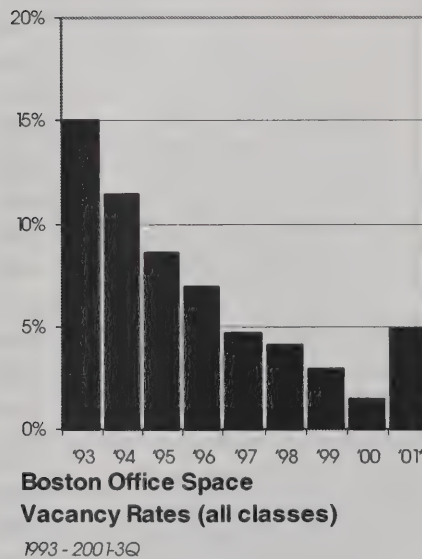
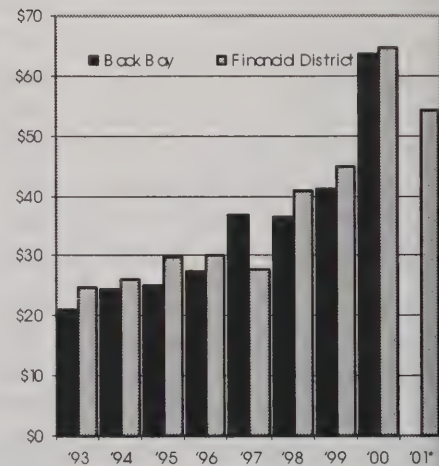


Figure 6

making the market attractive to new investment, the only loss in sales of new homes nationally in February 2002 occurred in New England. Sales of existing homes may have peaked nationally in January 2002, but New England posted the only gain in the nation in that monthly report. Financing for commercial projects has become harder to obtain as commercial rental rates that had been very high, and vacancy rates that had been very low, have both softened.

Demand for office space in Boston fell further in 2001. In September, the overall Boston office vacancy rate was 4.9%, up from 3.2% in June 2001, and up from 1.5% in 2000. Because office vacancy rates have risen, rents have declined (Figure 5.). The average asking rent per square foot for Class A office space in the Boston central business district at year-end 2001 was \$54.42, down 15% from the average of the Back Bay and Financial District asking rents last year (more recent and compatible data was not available). (Figure 6.)



Boston Office Space Asking Rents

1993 - 2001 ('01 downtown only)

Figure 7

Should the real estate market, which is still strong but slowing, suddenly depreciate again, the City's lack of proximity to the 2.5% tax rate threshold should insulate revenues from an immediate shock but could, if values are depressed long enough, impair the growth of the property tax. This would have serious implications for the City's future ability to maintain the current level of services. The real estate market was healthy in 2000 and 2001 and will hopefully remain steady throughout 2002 and 2003.

It should be noted that the City receives approximately 80% of its revenue from property taxes and state aid. Should the economy not recover quickly, poor economic conditions would pressure the state to further cut local aid. As we see currently, weaker economic conditions hurt the Commonwealth's tax collections and will eventually force it to increase spending on social

programs. This would negatively impact the Commonwealth's ability to balance its budget without cutting local aid, possibly over the course of several fiscal years.

Luckily for municipalities, property taxes are a more stable revenue stream and since values and the base have been steadily increasing, the levy is not likely to approach a point of reaching the 2.5% limit, where revenues would be reduced, even if the economy were not to recover very soon.



# CITY OF BOSTON REVENUE DETAIL

		FY00 Actual	FY01 Actual	FY02 Budget	FY03 Budget
<b>PROPERTY TAX LEVY</b>		866,205,891	917,919,531	972,233,769	1,018,539,614
<b>OVERLAY RESERVE</b>		(41,226,307)	(43,906,229)	(46,296,846)	(34,443,369)
	<b>Subtotal</b>	824,979,584	874,013,302	925,936,923	984,096,245
<b>EXCISES</b>					
	Motor Vehicle Excise	36,936,776	41,821,433	40,325,000	35,500,000
40129	Room Occupancy Excise	23,900,000	15,000,000	22,000,000	24,600,000
40130	Jet Fuel Excise	7,607,524	15,278,572	14,300,000	15,500,000
	Other Excise	462,742	555,972	395,000	255,000
	<b>Subtotal</b>	68,907,042	72,655,977	77,020,000	75,855,000
<b>FINES</b>					
	Parking Fines	53,550,589	55,508,761	56,300,000	56,750,000
45104	Code Enforcement - Trash	256,462	497,630	350,000	400,000
	Other Fines	2,136,956	3,761,420	2,358,191	2,519,000
	<b>Subtotal</b>	55,944,007	59,767,811	59,008,191	59,669,000
47151	<b>INTEREST ON INVESTMENTS</b>	21,885,610	26,084,445	15,550,000	16,500,000
<b>PAYMENTS IN LIEU OF TAXES</b>					
40169	Massport	10,501,526	11,422,730	7,054,796	10,700,000
	Other Payments In Lieu of Taxes	8,386,882	14,522,905	11,873,689	13,762,482
	<b>Subtotal</b>	18,888,408	25,945,635	18,928,485	24,462,482
<b>URBAN REDEVELOPMENT CHAPTER 121A</b>					
	Urban Redev. Chap. 121A Sec. 6A	10,381,018	14,048,238	10,157,924	10,996,028
41013	Urban Redev. Chap. 121A Sec. 10	27,266,454	32,827,152	28,700,000	29,848,000
	<b>Subtotal</b>	37,647,472	46,875,390	38,857,924	40,844,028
<b>MISC. DEPARTMENT REVENUE</b>					
43105	Registry - Vital Statistics	979,734	1,011,989	850,000	950,000
43109	Liens	710,350	745,050	700,000	750,000
43120	City Clerk - Fees	576,876	560,418	480,000	550,000
43137	Municipal Medicaid Reimbursement	10,942,095	18,928,951	12,000,000	14,000,000
43202	Police Services	497,518	462,452	475,000	480,000
43211	Fire Services	2,613,167	2,974,221	2,825,000	2,850,000
43301	Parking Facilities	1,677,998	2,222,017	1,250,000	1,500,000
43311	PWD - Street & Sidewalk Occupancy Fees	2,859,939	2,067,539	2,500,000	2,500,000
43797	PWD - Fiber Optic Rental Fees	1,720,639	2,792,552	1,600,000	1,550,000
44002	Tuition & Transportation - Schools	447,290	423,925	550,000	550,000
44101	Library Fees	176,393	70,782	175,000	175,000
44103	Library of Last Recourse	2,516,885	2,367,325	0	0
45106	Registry of Deeds Fees	356,077	151	0	0
47001	Telephone Commissions - City	54,595	87,267	60,000	60,000
47117	Worker's Comp. Reimbursement	1,254,697	732,635	1,050,000	0
47119	Settlements	379,273	381,595	800,000	700,000
47131	Pensions & Annuities	632,971	2,701,471	2,015,000	2,250,000
47132	Fringe Benefit & Indirect	184,707	423,313	3,250,000	3,250,000
47155	Prior Years Reimbursements	1,538,317	2,490,441	4,870,000	2,000,000
47157	Misc. Recovered Revenues	(500)	344	200	200
48000	Police Detail, 10% Admin. Fee	2,191,559	2,073,445	2,250,000	2,250,000
48003	Fire Detail, 10% Admin. Fee	269,349	223,960	275,000	275,000
	Other Misc. Department Revenue	3,432,760	1,336,204	1,894,299	3,199,200
	<b>Subtotal</b>	36,012,689	45,078,046	39,869,499	39,839,400

# CITY OF BOSTON

## REVENUE DETAIL

		FY00 Actual	FY01 Actual	FY02 Budget	FY03 Budget
<b>LICENSES &amp; PERMITS</b>					
40211	Building Permits	18,528,335	27,191,839	14,000,000	13,700,000
40213	Weights & Measures	149,545	175,895	150,000	245,000
40215	BTD - Street & Sidewalk Permits	1,500,057	1,352,523	1,400,000	1,400,000
40221	Health Inspections	1,088,452	1,065,436	1,100,000	1,050,000
40222	Alcoholic Beverage Licenses	2,296,154	2,306,548	2,325,000	2,325,000
40224	Entertainment Licenses	467,740	482,726	425,000	475,000
40225	Police & Protective Licenses and Permits	455,233	546,858	425,000	500,000
40229	Other Business Licenses and Permits	942,629	1,001,114	850,000	1,000,000
40235	Cable Television	2,845,985	3,418,364	2,850,000	2,900,000
	Other Licenses and Permits	352,864	270,304	278,000	368,000
	<b>Subtotal</b>	<b>28,626,995</b>	<b>37,811,607</b>	<b>23,803,000</b>	<b>23,963,000</b>
<b>PENALTIES &amp; INTEREST</b>					
40133	Penalties & Interest - Property Tax	1,621,780	1,388,573	1,625,000	1,400,000
40134	Penalties & Interest - Motor Vehicle Excise	2,779,293	2,741,143	2,850,000	2,850,000
40136	Penalties & Interest - Tax Titles	6,215,832	3,889,161	4,000,000	4,000,000
	Other Penalties & Interest	405	6,518	200	500
	<b>Subtotal</b>	<b>10,617,310</b>	<b>8,025,394</b>	<b>8,475,200</b>	<b>8,250,500</b>
<b>AVAILABLE FUNDS</b>					
42502	Cemetery Trustee	1,636,159	1,678,386	1,778,400	1,849,004
42503	Parking Meters	5,030,525	6,677,030	10,000,000	10,000,000
	<b>Subtotal</b>	<b>6,666,684</b>	<b>8,355,416</b>	<b>11,778,400</b>	<b>11,849,004</b>
<b>STATE AID</b>					
41015	State Owned Land	0	0	320,914	288,823
41101	R.E. Abatements - Veterans	0	0	198,587	178,728
41102	R.E. Abatements - Surviving Spouses	0	0	254,031	228,628
41103	R.E. Abatements - Blind	0	0	27,937	25,143.69
41104	Elderly Exemptions	577,802	0	508,282	457,454
41111	State Lottery Local Aid	63,066,265	70,978,173	63,492,321	63,492,321
41112	Highways	836,476	836,476	209,119	188,207
41114	Veterans Services	575,542	168,279	804,291	723,862
41116	Additional Assistance	206,638,214	206,638,214	206,638,214	185,974,393
41119	Racing Taxes	441,202	593,837	416,137	374,523
41301	School Construction	17,088,236	20,199,100	17,146,020	15,431,418
41305	Charter Schools Reimbursement	5,242,570	7,509,707	8,250,689	10,611,910
41306	Chapter 70 Education Aid	186,151,815	197,517,540	205,643,453	185,079,108
41307	Charter Schools Tuition	(17,322,561)	(21,892,408)	(27,232,363)	(33,664,083)
41311	School Transportation	10,486,610	6,212	20,543,298	9,167,615
41316	Tuition for State Wards	1,147,832	1,220,646	1,618,000	0
	Police Career Incentive	0	0	6,318,039	5,686,235
	<b>Subtotal</b>	<b>474,930,003</b>	<b>483,775,776</b>	<b>505,156,970</b>	<b>444,244,286</b>
41115	<b>TEACHERS PENSION REIMBURSEMENT</b>	38,751,113	41,392,675	45,295,040	40,765,536
42504	<b>BUDGETARY FUND BALANCE</b>	0	0	0	12,000,000
42501	Surplus Property	0	0	1,876,000	1,876,000
	<b>GRAND TOTAL</b>	<b>1,623,856,916</b>	<b>1,729,781,474</b>	<b>1,771,555,633</b>	<b>1,784,214,490</b>





Education





## OVERVIEW

Improving public education in Boston requires a united effort by students, teachers, parents, communities, schools, and private businesses, along with City and State officials. FY03 represents the second year of the Boston Public Schools' (BPS) five-year education reform plan, Focus on Children II. This plan recognizes the goals and accomplishments made through the plan's predecessor, Focus on Children, and emphasizes the six essentials of learning. The objective is to guide instructional practice to accelerate the rate of improved teaching and learning. Results thus far have been encouraging but a great deal of hard work is still ahead. The funding provided in the BPS Operating Budget and the BPS Capital Plan, coupled with many successful BPS initiatives, provide BPS with the resources necessary to improve student performance.

## BPS Goals

In 1997, the Boston Public Schools implemented an ambitious five-year education reform plan developed through broad-based community discussions about the needs of Boston students and families. The plan was designed to serve as a blueprint for improvement throughout the system – from central offices to every classroom in every school.

Under the leadership of Mayor Thomas M. Menino, the Boston School Committee, and Superintendent Thomas W. Payzant, the Boston Public Schools set upon a sound course for continuous improvement. With the adoption of Focus On Children, the BPS community – educators, families, students, and partners – shifted its focus to the primary goal of improving teaching and learning to enable all students to achieve high standards of performance. This reform has had a positive, measurable impact on public education in Boston. Test scores and other data show that Boston's schools and students have demonstrated

continuous improvement over the five-year period. The many lessons learned through the Focus on Children plan are the foundation upon which the Focus on Children II plan of education reform was built.

This plan maintains that if we persist in a thoughtful and unifying process of continuous improvement, we will achieve the results we seek. Focus on Children II emphasizes the following six essentials of learning:

- Focus on literacy and mathematics to organize instruction, assessment of student progress, and professional development;
- Use student work and data to identify student needs, improve instruction and assess progress;
- Focus professional development to give teachers and principals what they need to improve instruction in core subjects;
- Learn and use best practices for instruction;
- Align all resources with instructional focus; and
- Engage parents, community and partners to support whole school improvement.

## BPS Operating Budget

The FY03 BPS Budget is a product of the Boston Public Schools' ongoing effort to align resources with educational priorities. This budget recommendation reflects many purposeful and difficult decisions. These decisions have been made in order to allocate resources to priority areas that most directly affect teaching and learning.

The FY03 BPS Budget continues to build on the previous years' progress. It focuses on improving teaching and learning for all students by concentrating resources at the school level in order to implement citywide learning standards and whole school change.

Balancing ambitious educational goals with finite resources is always difficult. The task of BPS in FY03 has been especially challenging because at the same time that improvements in teaching and learning are showing results, the revenues that

support these improvements are constrained. However, reductions in service in some areas have allowed BPS to reallocate resources to fund its most vital activities, those which support teaching and learning, and which will help accelerate academic achievement for all students. BPS has developed a plan for FY03 that succeeds in focusing resources on its most important priorities.

In the years leading up to FY03, Boston has been committed to improving education. The BPS FY02 Operating Budget of \$639.7 million showed a 4.5% increase over the FY01 expenditures of \$611.9 million. This represents a cumulative increase of \$231.5 million, or 56.7%, between FY94 and FY02. The FY02 BPS Budget was 44% of the total city appropriations (excluding fixed costs).

The total city-funded FY03 BPS Operating Budget is \$639.7 million, representing level funding from FY02. The FY03 BPS Operating Budget is 44% of the total city appropriations (excluding fixed costs).

## BPS STUDENTS AND PROGRAMS

### Student Enrollment

Student enrollment is the key driver of the BPS Budget. Allocations of resources at the school level are determined by the projected enrollment at each school for the next school year. These projections are distributed across all of the programs offered, across all grades, and at every school. As of December 2001, BPS had 62,739 students enrolled. This represents a decrease of 395 students from the 63,134 students enrolled in December 2000. Today's enrollment represents an increase of about 2.7% since FY 1995, or 1,691 students. (Figure 1.)

Enrollment projections for FY03 anticipate a slight decrease in the number of regular education students from December 2001 actual enrollment numbers, with special education also showing a slight decrease over the December actuals. Bilingual education enrollment remains relatively flat, with a slight increase of 0.2% over December actuals. Currently 74.9% of students are in regular education programs (including vocational and advanced work, and 502.1 and 502.3 prototype mainstream special education), 15.2% are in

bilingual education programs, and 9.8% are in substantially separate special education programs (502.4 prototype).

BPS seeks to ensure equal educational opportunities and prevent discrimination and inequalities based on racial, ethnic, socio-economic status, gender, sexual orientation, or any other reasons. The student population is ethnically diverse. The current enrollment is 48% African-American, 28% Hispanic-American, 15% Caucasian, 9% Asian-American, and less than 1% Native-American.

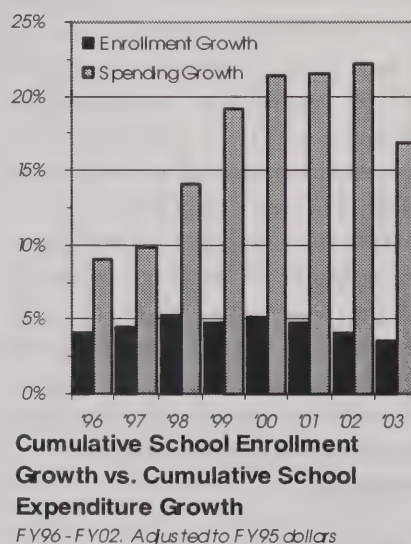


Figure 1

## PROGRAMS AND SERVICES

### Regular Education

Regular education is comprised of grades 1 through 12, kindergarten, and early learning opportunities. The programs offered under this area range from early learning and early education centers to high school programs, from classical education to technology, from social studies to international studies, and from advanced work classes to remedial and alternative education programs. Regular education students are often integrated with bilingual and special education populations. In addition, adult basic education and evening high school programs are available for Boston's adult population.



### **Bilingual Education**

BPS ensures that bilingual students receive challenging, rigorous and meaningful instruction in their first and second language and are held to the same high standards as their fluent English-speaking peers. The BPS provides a Transitional Bilingual Education Program to students with limited English proficiency. Bilingual education students are assessed and placed according to their English language proficiency. To increase interaction among regular education and bilingual education students, there are schools with “two-way programs” in English and Spanish for fluent English speakers. In addition, a number of schools have implemented their own initiatives to promote interaction between bilingual and regular education students.

### **Special Education**

BPS provides special education services to approximately 12,400 students. These special education services are delivered in both public schools and special education private schools. Within BPS, over 1,200 special education teachers work with students with disabilities in meeting the goals and objectives of their Individualized Educational Plans (IEPs). In addition to BPS teachers, two-hundred twenty (220) service providers, including speech and language pathologists, occupational therapists, and adaptive physical education teachers provide services as determined through the IEP process.

All special education services are provided in accordance with the Individuals with Disabilities Act (IDEA), Chapter 71B of the Massachusetts General Laws, Boston School Committee policies, and specific requests related to courts. Recent changes in state legislation have been adopted as Chapter 159 of the Acts of 2000, which uses the Federal definition of providing “Free and Appropriate Public Education” to special education students.

In November 1998, the BPS Accountability Standards for Least Restrictive Environment (LRE) Mandate was first issued. The 2001 report showed clear progress in the area of referrals to special education as well as placements in out-of-district placements.

Currently, 18% of Boston Public Schools students have Individualized Educational Plans. This represents a decrease of 4% from the 1997-1998

school year when 22% of students had IEPs. The state average is 17% while the national average for urban school districts is 12-14%. Though considerable progress has been made in the area of referrals to special education as well as a reduction in the number of new students placed in out-of-district placements, the number of students placed in substantially separate settings, or 502.4 prototype students, requires continued and extensive focus.

### **Support Services**

Students in all programs take advantage of the wide range of the support services in the schools. School medical services, psychological services, guidance services, and other support services are offered across all grade levels. The scope of services available to students has changed and increased significantly. This expansion of student support is designed to better the system's capacity to address the changing needs of students. In addition, collaborative arrangements with human services and community agencies supplement the support services offered to students and their families.

## **ALTERNATIVE SCHOOL DESIGNS**

### **Pilot Schools**

Pilot schools were developed through the BPS/ Boston Teacher's Union (BTU) collective bargaining contract. Pilot schools, also known as in-district charter schools, are established through proposals submitted in a Request for Proposals process, in which at least one of the individuals submitting the proposal is a BPS staff member. The pilot schools are free from the union contract and School Committee rules and regulations.

There are a projected 2,500 students educated in Boston's pilot schools during FY02. Pilot schools can serve as useful examples of cutting-edge education practices. They provide a “laboratory” where innovative and exciting educational ideas can be developed and shared with the entire district. Pilot school students' test scores have shown consistent improvement. However, not all educational methods are transferable to all classrooms. Managerial flexibility allows for a large number of educational initiatives in pilot schools.



The budget for each pilot school is based on the average per pupil grade level cost. The per-pupil cost allocated to the pilot schools includes all instructional, administrative and support services costs except for transportation and the cost of educating private placement students. The per-pupil cost of pilot schools students is part of the BPS Operating Budget.

Boston currently has the following nine pilot schools: Fenway Middle College Pilot School; Young Achievers Science and Mathematics Pilot School; Lyndon Pilot School; Greater Egleston Community High Pilot School; the Mission Hill Pilot School; Harbor Pilot School; New Mission High; Boston Arts Academy Pilot School; and Quincy Upper Pilot School.

### **Horace Mann Charter Schools**

Two schools originally founded as pilot schools were designated as Horace Mann charter schools by the Board of Education in 1999. These two schools, the Health Careers Academy and the Boston Evening Academy are projected to serve 348 students in FY02.

A Horace Mann charter school represents all or part of a public school operated under a charter approved by the local school committee and local bargaining agent, granted by the State Board of Education. A charter is granted for five years and is renewable. Educational assessments are conducted by the State, and charter schools are required to comply with state regulations on testing and assessments. All charter schools will be required to measure their progress against the goals set under their charter and make a formal annual report. In addition, there will be site visits to assess each charter school's progress.

A Horace Mann charter school annually submits a budget request to the Superintendent and School Committee. The cost of Horace Mann charter schools is included in the BPS Operating Budget. A Horace Mann charter school shall not receive less than it would under the district's budgetary allocation rules.

### **Commonwealth Charter Schools**

Commonwealth charter schools differ from pilot schools and Horace Mann charter schools because

the granting of their charter does not require the approval of the school committee or school unions, and they do not submit annual budget requests to school committees. Commonwealth charter schools are public schools established by charters granted by the Board of Education independent of local school committees, in accordance with the Education Reform Act of 1993. The costs of these schools are paid for by the sending district of the students attending the Commonwealth Charter Schools. The tuition costs for charter school students who live in Boston are paid for by the City of Boston, outside of the BPS Operating Budget.

There are currently thirteen Commonwealth charter schools available to Boston's students. Nine of these are located in the City of Boston. They are Academy of the Pacific Rim, Boston Renaissance, City on a Hill, Conservatory Lab, Frederick Douglass, Codman Academy, Neighborhood House, Roxbury Preparatory, and South Boston Harbor Academy. Boston students attend four Commonwealth charter schools located outside of Boston. They are Benjamin Banneker in Cambridge, Somerville Charter School in Somerville, South Shore Charter School in Hull, and Media and Technology Academy in Brookline. Two additional Commonwealth charter schools, Edward Brooke and Uphams Corner are scheduled to open in Boston in Fall 2002.

Beginning in FY99, there was a change in the method of financing Commonwealth charter schools. In FY99, the state reimbursed 100% of the first year costs for new Commonwealth charter school students at new or existing Commonwealth charter schools, 60% of the students' second year costs, and 40% of their third year costs. The City of Boston is scheduled to assume the full tuition costs by the students' fourth year. However, the Governor has proposed changes that would reduce the amount that is reimbursed by the state significantly in FY03.

## **EXTERNAL RESOURCES**

### **External Funds**

Overall, BPS is projected to receive \$126.7 million in external funds in FY03. External funds are received through formula grants (entitlements), competitive grants, reimbursement accounts, and

other grants primarily from state and federal sources. Compared to FY02 funding, the projected amount for FY03 represents an increase of approximately \$9.3 million or 8%.

External funds are important to the overall success of the Boston Public Schools. They provide a source of funds that are targeted for specific purposes that enhance teaching and learning. They are aligned with the general fund budget to support an all-funds approach to budgeting.

FY03 will see several changes in grants from the state due to revenue reductions and from the federal government due to policy changes. The current administration's "No Child Left Behind" policy, established during the cyclical reauthorization of the Elementary and Secondary Education Act (ESEA), promises resources geared toward improving the quality of education for every child.

"No Child Left Behind" funds come with substantial new programmatic requirements. Its major concepts are better targeting of disadvantaged students, greater choice for parents, flexibility for states and districts, accountability, and scientifically based instructional strategies and academic content. "No Child Left Behind" also provides BPS with a number of new opportunities to compete for funds.

### Chapter 70 Aid

The Education Reform Act of 1993 is a multi-year commitment by the State to increase and equalize funding for local education. Since the FY94 state budget, the Education Reform Act's financing formula has affected the amount of education aid the City has received. It has also required the City to spend at or above the education maintenance of effort, which it has done. The City of Boston

received \$66.6 million in FY94, \$81.6 million in FY95, \$92.1 million in FY96, \$115.5 million in FY97, \$143.9 million in FY98, \$178.2 million in FY99, \$186.2 million in FY00, \$197.5 million in FY01, and \$205.6 million in FY02.

For the first time since the early 1990s, the City is not expecting an increase in Chapter 70 funding. The City is currently anticipating \$185.9 million in FY03, a 10% decrease from FY02.

### Private Partnerships

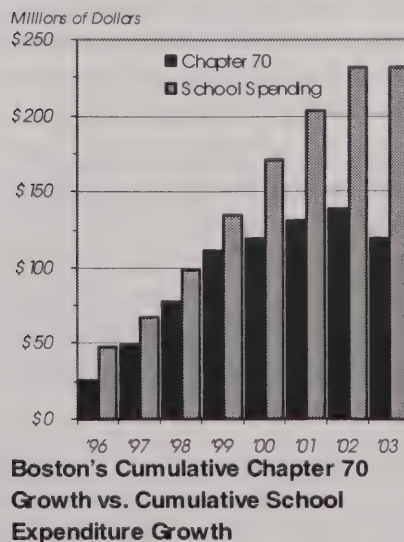
BPS has continued a long-running tradition of working with numerous independent organizations to help bring additional resources, expertise, and guidance to the youth of Boston and BPS students. It is an important goal of the School Department that each school will have established a partnership with not only a college or university, but also with a business or foundation, arts or cultural organization and health or human services provider.

**Technology Initiative** - Over 100 businesses have contributed in the form of direct partnerships with the schools and other forms of system-wide assistance.

**ReadBoston Initiative** - Every week 1,000 volunteers are tutoring children in reading through the ReadBoston Initiative.

In addition to business partnerships, the BPS is the beneficiary of a consortium of higher education institutions. According to the Boston Higher Education Partnership, 28 colleges and universities have formed a consortium that provides the largest amount of funding and services to a single urban school district in the entire country. This steadily increasing assistance comes in the form of scholarships, pro-bono assistance, and external grants.

In addition to college, university and business partnerships, BPS is also striving to strengthen partnerships with arts and cultural institutions and health and human services providers. According to the Boston Cultural Partnership, over 60 cultural organizations, ranging from internationally known cultural institutions to community-based organizations to individual artists, offer programs to 95% of Boston Public Schools. About 74% of the students served in these programs are at the elementary level.





## Performance Indicators and Standards

### Overview

An accountability process based on measurable outcomes has been in place at BPS for a number of years. These performance indicators and related performance standards were developed through a collaborative process involving the Boston Compact Measurement Committee and the Superintendent. The indicators were chosen, in part, based on research literature on student performance and school effectiveness. The goal of this accountability process is to promote ongoing improvement in teaching and learning at each and every Boston Public School and in each and every classroom within these schools.

What is measured has evolved over time based on newly available and updated assessments and a reinvigorated focus on teaching and learning. The Stanford 9 was incorporated into the accountability system in SY1995-96. It was a significant addition to the system for two important reasons: (1) it is a rigorous assessment instrument that is aligned with the Citywide Learning Standards and the state's Curriculum Frameworks in reading and mathematics; and (2) it documents student academic accomplishment in terms of performance levels; thus, performance is compared to standards and not just to the performance of other students.

This past year (SY1999-00), the Massachusetts Comprehensive Assessment System (MCAS) was administered for the third time in English/Language Arts, Mathematics, and Science and Technology in grades 4, 8, and 10. These tests have emerged from a provision in the Massachusetts Education Reform Act of 1993. Students entering the 10th grade in the 2000-2001 SY are the first group required to pass the MCAS in high school as a graduation requirement.

As curriculum standards and promotion policies are revised, the School Department continues to introduce new assessment methodologies to bridge the gap between instructional assessment and accountability assessment. The new methodology includes an increased emphasis on "performance assessments" such as "Student Products" and responses to "Key Questions" which are assessments of actual student work as well as ongoing formative assessments.

*(Note: Performance Indicator & Standards data can be found in the Education chapter in Volume II of the City of Boston FY03 Budget.)*

### Daily Student Attendance

Student attendance is an indicator of student exposure to school instruction. Student attendance is a percentage calculated as the average daily attendance divided by the average daily membership based on data provided by each school to the Record Management Unit. The percentage is computed only from the particular grades in each school, excluding kindergarten. High student attendance is a basic requirement underlying school effectiveness, and the expectation is for student attendance to continuously improve.

### Dropouts

According to state guidelines established in SY1991-92, students in grades 6-12 regardless of whether or not they are 16 years old are counted as dropouts if they leave school during the year from July 1 to June 30 for any reason other than transfer, graduation, death, or expulsion with an option to return. This indicator applies primarily to high schools. The dropout rate is generally regarded as an index of a school's holding power, and the expectation is for the dropout rate to continuously decline. It should be noted that middle and high school refer to grades 6-8 and grades 9-12 respectively.

### Stanford 9 Achievement Test: Reading and Mathematics Distributions

Performance Levels are a way of describing student achievement. These data answer the question, "To what degree have students mastered the appropriate grade level material, as reflected by the test?" The data present the percentage of students in each of the four Performance Levels. Level 1 denotes "little (if any) mastery," Level 2 denotes "partial mastery," Level 3 denotes "solid academic performance," and Level 4 denotes "superior performance."

The eligible reporting population used for SY96 – SY00 includes the following students: Regular education, Special Education in .1 and .2 prototypes, and Bilingual Education in Lau Steps .3 and .4. In addition to the eligible population, schools are encouraged to include all students in Bilingual Education Steps 1 and 2 and Special

Education Prototypes .3 and .4 who are able to take the test. Elementary, middle and high school refer to grades 1-5, 6-8, and 9-12 respectively.

In SY01 the eligible reporting population was brought into alignment with the state's MCAS reporting group and federal guidelines for including students with disabilities in the reporting system. For this reason, the overall effect of using this new accountability group is to increase markedly the percentage of students included in the aggregate reports by about 23%. Consequently, this makes the comparison of SY01 with prior years inappropriate.

It is expected that percentages of students in Level 1 will continuously decrease and percentages of students in Levels 3 and 4 will increase.

### **MCAS Tests: Distributions**

The data present the percentage of students in each of four MCAS Performance Levels. Level 1 denotes "failing," Level 2 denotes "needs improvement," Level 3 denotes "proficient," and Level 4 denotes "advanced."

In the analyses of MCAS scores, percentages are based on the total number of students required to take the test. This includes regular students, students with disabilities tested with standard accommodations, and Limited English Proficient students in the US for more than 3 years.

It is expected that percentages of students in Level 1 will continuously decrease and percentages of students in Levels 3 and 4 will increase.

*(Note: the Science and Technology test was not administered in grades 4, 8, or 10 in SY01.)*

### **Promotions**

The promotion rate used in these analyses is intended to reflect achievement during the school year; therefore, it is calculated as the percentage of students promoted to the next grade as of June. It does not include those students who are promoted during the summer. Please note that elementary, middle, and high school refer to grades 1-5, 6-8, and 9-12 respectively. Promotions represent an achievement both for students and for their schools. It should be noted that the current more rigorous policy encourages an end to social promotions. It is expected that after an

initial adjustment, promotion rates will continuously improve.

## **FORMAL BUDGET PROCEDURES**

### **Governance**

The seven-member Boston School Committee is appointed by the Mayor to staggered terms and serves as the policy-making body of the Boston School Department. This structure was affirmed by the voters of the City of Boston in a referendum held on November 5, 1996. The Committee appoints a Superintendent who serves as the chief executive officer of the Boston Public Schools. The Superintendent is responsible for management and supervision of the public schools. The Superintendent reports directly to the School Committee and also serves as a member of the Mayor's Cabinet. At each school, school-site councils have been established. The school-site councils consist of the building administrator, parents, teachers, representatives of collaborating institutions and a student at the high school level. The council's role is to assist the principal or headmaster in decision-making processes.

### **The Operating Budget Process**

The operating budget serves as an operational plan, stated in financial terms, for carrying out the goals of the school system. The operating budget is developed in accordance with the goals and objectives approved by the School Committee. It is developed based on extensive input from principals and headmasters, school site councils, the Superintendent's Leadership Team, and the larger school community. The budget reflects what the Boston Public Schools seek to achieve during the next fiscal year based on available resources.

The public school operating budget is developed under the following statutory schedule:

The Superintendent shall submit to the School Committee an annual operating budget for the next fiscal year by the first Wednesday in February.

The School Committee shall submit to the Mayor estimates of the next fiscal year's operating budget by the fourth Wednesday in February.



The School Committee may adopt, reject, reduce or increase any item in the Superintendent's recommended operating budget. If the School Committee fails to take action on the Superintendent's recommended operating budget by the fourth Wednesday in March, the budget recommended by the Superintendent shall be deemed as if approved by the School Committee.

After School Committee approval of the next fiscal year's annual budget, the Superintendent shall submit the budget to the Mayor who may approve or reduce the total recommended budget, but who may not allocate among expenditures.

The Mayor must submit the school's operating budget to the City Council for appropriation.

The City Council shall vote on the total amount of the appropriation requested by the Mayor. The City Council shall not allocate the appropriation among expenditures.

## **CAPITAL IMPROVEMENTS**

The city's capital planning process supports the Mayor's commitment to education and ensuring Boston's educational facilities are equipped to meet the needs of the City's families. Between FY97 and FY01 capital expenditures for schools totaled \$261.7 million or 35% of total expenditures excluding spending on the new convention center. FY02 capital expenditures for the schools is estimated at \$74.6 million.

The FY03-07 capital plan includes \$336.9 million for school facilities and equipment. In FY03 \$22.4 million in new authorization is proposed. The proposed capital plan includes the following:

- Completion of construction of three new schools, a K-8 school at Orchard Gardens, a middle school at Columbia Road, and a middle school at Mildred Avenue;
- Expansion and major renovation of Burke High School including a new gym, new cafeteria, and expanded library; with handicapped accessibility;
- Window replacements at Mission Hill School;
- Masonry repairs at several schools including Dorchester High School;
- Upgrade science labs at Brighton High School;

- Revitalization of 5 schoolyards;
- Construction for electrical and technology wiring upgrades at 9 schools;

In addition to these highlights, the capital plan includes additional maintenance projects for windows, roofs, and boilers at schools across the city. Project level detail on capital expenditures can be found in the Education section of Volume II of the FY03 Budget.

Capital investment in high schools has resulted, once again, in all schools either maintaining or improving their accreditation status in the last year. The science labs at South Boston High were completed in FY02, while Brighton High School's science labs are scheduled for upgrades in FY03.

The City has made great strides towards achieving the Mayor's goal of adding technology throughout the schools. Complete electrical upgrades and technology wiring began in FY99. The plan calls for schools to receive appropriate electrical and technology wiring upgrades in the coming years. Fortunately, some of the technology work is discountable at a rate of 80-90% through the Federal Communications Commission Universal Service Fund.

Since FY97 the capital plan has funded a number of major accomplishments including:

- Upgrading or reaffirming 10 high schools at full accreditation;
- Becoming the first major urban public school district in the United States to have all schools wired to the Internet;
- Providing full electrical and technology wiring upgrades at 78 schools;
- Completing construction on three major high school renovations, Boston Latin, Hyde Park High and East Boston High;
- Opening the Boston Arts Academy and the Young Achievers Pilot School;
- Purchasing and beginning renovations to the Mission Hill School;
- Completing the revitalization of 37 schoolyards; and
- Constructing modular classroom facilities at the Lyndon Pilot School and the Quincy Upper Pilot School.

## School Building Assistance

The Commonwealth of Massachusetts School Building Assistance (SBA) program, managed by the Department of Education (DOE), is designed to assist cities and towns in building new schools or in renovating existing ones. Under the current program the City is eligible for up to 90% reimbursement on approved project costs.

In July 2000, the state legislature repealed the former school construction aid program and enacted Chapter 70B of the General Laws. The range of reimbursement rates under Chapter 70B remains unchanged although the method of determining the appropriate rate is different. Previously, the reimbursement rate was fixed by statute for each city and town. Under the current law, a formula involving equalized property valuations, per capita income and the percentage of low-income students in the school district are the key factors. In addition, projects can earn additional incentive points for re-using existing buildings, providing adequate maintenance, using construction management firms or meeting energy efficiency standards. For the next five years, districts with approved desegregation plans will have ten points added to their reimbursement rate, and for the five years following that, five points will be added.

Reimbursement payments are made over twenty years on a level payment basis. Reimbursement payments are made to the City's General Fund and are included as part of the annual State Aid package. In FY02 the State reduced its annual funding of this program from approximately \$50 million to \$20 million annually. Due to this change in funding the city now expects annual reimbursements for the three new schools to begin no earlier than FY07. Reimbursement payments due between FY03-FY07 are forecast at \$86.7 million.

## The Technology Initiative and Universal Services Funding

The City of Boston and BPS have committed to wiring schools to the Internet and providing students with access to technology in the classroom. This commitment involves a vast array of planning, communication, coordination, resources, and partnerships among the BPS, City departments, communities and private companies.

The Federal Communications Commission (FCC) has established the Universal Services Fund (USF) to assist school districts with communications and Internet access, infrastructure and services.

The USF funding was formerly directed toward providing telephone companies with incentives to wire isolated rural areas that would otherwise be cost prohibitive. As most of the United States is currently wired for phone service, the FCC decided to shift the majority of these funds toward helping schools obtain Internet access.

The USF is a fund that reimburses school districts for:

- Internet Access: periodic charges for communication lines and charges from Internet Service Providers (ISPs); and
- Infrastructure Costs Associated with Obtaining Internet Access: one-time construction costs specifically related to networking, and incurred within a school building to wire the building for technology.

These reimbursable items provide significant assistance with jump-starting the technology initiative, however they do not address the operational costs such as:

- Planning - development and design;
- Power - electrical service and distribution;
- Hardware - computers, printers, and peripherals;
- Security - hardware lockdown devices and electronic security devices;
- Consumables - paper, disks, and cartridges;
- Software Licenses;
- Technical Support; or
- Professional Development and Training provided for staff in and out of the classroom.

These components of the technology initiative are provided with resources in the BPS Operating Budget and the City of Boston Capital Plan. The FY03-07 City of Boston Capital Plan forecasts spending \$1.0 million for hardware and software and \$2.5 million for network infrastructure and electrical upgrade in FY03. These funds are combined with funds and services received from various partnerships to provide access and exposure to technology.

The costs to provide access to technology and the Internet can vary significantly from facility to

facility. Many of Boston's older schools currently have:

- No defined conduit in which to run data or electrical lines;
- Concrete or plaster walls that do not allow for easy installation of wiring, like modern drop ceilings;
- Inadequate electrical service to the building;
- Inadequate electrical distribution throughout the building; and
- Inadequate number of phone lines.

These infrastructure items, combined with the unique nuances of each school, can dramatically increase costs. The per-square-foot cost of wiring an older school with appropriate technology wiring and electrical service can be 200% or 300% of the per-square-foot cost of wiring a modern building.

The vast majority of BPS schools are older schools, with minimal electrical service and distribution. With these dramatic costs on the horizon, the Technology Taskforce will undertake an evaluation of the BPS technology plan. The plan will focus on evaluating and balancing programmatic needs and new networking technologies. The product of this focus will drive the initiative to continue on the most efficient and effective path for the future.



# FY03 Budget and Performance Goals





# Budget and Performance Goals

## INTRODUCTION

High performance, customer satisfaction, and government responsiveness are the cornerstones of Mayor Menino's government. By leveraging the talents of our diverse community with City resources and creating and fostering partnerships, the City of Boston provides a wide variety of services, programs and events each year.

Attaining the Mayor's goals of improved customer satisfaction, enhanced government performance, and responsiveness to citizen needs requires a budgeting and performance system that assesses the City's performance. The City's program budgeting and performance monitoring system is a firm foundation for basic service level information. This system provides a base of information for understanding the goals and associated costs of City services, including both detailed spending information and promised service levels for all City departments.

Addressing the Mayor's focus on accountability requires an evaluation of how services are

provided and the quality of those services. Once resources have been allocated through the budget process, the City monitors its performance with a view towards realizing its goals of efficiency, effectiveness, and service to its residents.

Monitoring performance entails an emphasis on identifying appropriate methods for measuring the success or failure in meeting goals or attaining the desired outcomes. It also means tracking and monitoring performance over time and using this information to reassess operations.

This section provides an overview of the City's budget cycle, as well as program evaluation and performance measurement efforts that contribute to the overall pursuit of excellence.

## THE BUDGET CYCLE

The City Charter contains legal deadlines and actions that must be followed in adopting the budget. The deadlines and formal actions, as well as the actual or planned dates for the 2002-03

## KEY DATES IN THE BUDGET CYCLE

ACTION REQUIRED	CITY CHARTER	PRESCRIBED DEADLINE	2002-03 DATES
Superintendent of Schools proposed budget due to School Committee.	Chapter 613, Acts of 1987	On or before the first Wednesday in February.	6-Feb-02
Department proposed budget due to OBM	No requirement	On or before February 15, 2002	1-Feb-02
Mayoral meetings with departments.	No requirement	March	March 7 – 28, 2002
School Committee Action on the annual budget.	Chapter 613, Acts of 1987	On or before the fourth Wednesday in March.	27-Mar-02
Mayor's proposed budget for ensuing year submitted to City Council.	Chapter 190, Acts of 1982 as amended by Chapter 701, Acts of 1986	On or before the second Wednesday in April.	10-Apr-02
Public hearings are held prior to budget adoption.	No requirement	April - June	April – June, 2002
City Council action on recommended budget.	Chapter 190, Acts of 1982 as amended by Chapter 701, Acts of 1986	On or before the second Wednesday in June.	12-Jun-02
Mayor's approval of budget passed by City Council.	No requirement	On or before July 1, 2002	30-Jun-02

Table 1

budget development process are shown in Table 1.

## **Budget Development**

The structure of the budget and budgetary process highlights the need for timely, reliable and useful information to manage and assess government's operating performance. The budget is formulated using accurate and reliable data on program performance to strengthen accountability and improve recognition of the long-term impact of today's budget decisions.

Boston integrates goal setting, program budgeting, and performance reporting processes into a single annual cycle, linking service outcomes to resources. The budget cycle begins with the identification of departmental objectives. The Office of Budget Management (OBM) works with each department to set clear performance goals for the upcoming fiscal year. These goals should be relevant to the department's mission and reasonable in terms of attainment, but still challenging to achieve. For each objective, the department should identify at least one key measure of success or outcome.

Departments must prepare budgets within the financial parameters established to accomplish those departmental outcomes and goals that have been identified as key to meeting the mission. As such, department managers are ultimately responsible for determining what level of service can be supported with the available resources.

Department managers define baselines, identify service trends, and set specific measurable service levels to be accomplished. This process may involve adjusting amounts budgeted for programs, redesigning processes or structures to increase productivity and efficiency, or increasing or decreasing programs to adapt to changing priorities or resources.

With the information on trends in services and resources, program budget decision packages are prepared for the Mayor's approval. The budget decision packages assist policy discussions held by defining costs and tradeoffs under alternative service delivery options.

## **Budget Approval**

The program budget, including all departmental objectives and outcomes, is submitted to the City

Council for approval. During the ensuing budget deliberations, the City determines what services it will provide and the manner in which it will provide them. The final approved budget marks the Mayor's commitment to provide the citizens of Boston with an effectively funded scope of services.

## **Accountability for Performance**

Budget implementation follows City Council approval. Throughout the fiscal year, reporting, evaluation, and analysis play key roles. The departments and OBM monitor financial and operational performance on an ongoing basis via monthly Expenditure Variance Reports, Revenue Variance Reports, Management Information Reports (MIRs), and Nothing but the FACTS reviews (described below) to ensure accountability for performance.

Reported performance data from the current year is used to determine whether and how goals should be modified for the upcoming fiscal year. Changes are incorporated into the goal-setting process, and the entire cycle begins again.

## **PROGRAM EVALUATION AND PERFORMANCE MEASUREMENTS COMPLETE THE CYCLE BY CHANGING THE WAY GOVERNMENT WORKS**

There is a common recognition among those in government that we should always seek to improve service delivery. The performance evaluation process, beyond informing resource allocation, contributes to improving service delivery in several ways. The program evaluation effort, officially known as Nothing but the FACTS, is an objective, open and independent analysis of the performance of a City organization, program, activity or function. The FACTS program informs management discussions and fosters inter-departmental communication by providing accurate information, unbiased analysis, and objective recommendations. The City recognizes that while a lot can be done within single departments, much more can be accomplished through cross-departmental integration of effort.

Department performance measures help focus departmental efforts on achieving priority goals and objectives and provide powerful insight into how successful they are.



## Program Evaluation

The FACTS program goal is to contribute to the Administration's efforts to create a City government that works better, costs less, and gets results. By providing reliable information, unbiased analysis, and objective recommendations year round to inform budget development, it contributes to the better coordination of crosscutting City programs and continual improvement of service delivery.

OBM's staff performs Nothing but the FACTS work. OBM conducts program evaluations and other special studies at the direction of the Mayor. Teams of two or three staff members are established to review specific objectives. OBM provides oversight of department operations by assisting managers in reviewing existing activities and services in order to answer the following basic questions:

- What services are being provided?
- Can these services be provided more efficiently?
- Are there different services or service arrays that would reach more people, more effectively?
- Are there programs or services that have outlived their usefulness and should be eliminated?

The OBM teams study the effectiveness of operations and identify findings and recommendations concerning the performance, management, and operation of programs and functions for which funds are appropriated. The analysis is shared with the departments for their review and comment.

## Department Performance Measures

OBM works with departments in developing, monitoring and using performance measures. Performance measurement serves a number of external as well as internal departmental purposes. Performance measures are developed as part of the planning process and flow from the mission, goals, and objectives identified by departments, with the emphasis always on serving the department's customers. These measures are intended to help focus department efforts on achieving priority goals and objectives. Departments project their annual performance and with OBM support, measure and monitor their performance monthly. The performance

information drives decision-making and focuses the appropriation process on outcomes. For example, reporting the percentage of street light outages on city-owned street lights repaired within five days is a key measure directly affecting citizen's safety. This measure will be carefully monitored in the upcoming fiscal year, as the entire street light inventory becomes municipally owned. The department's ability to increase or even maintain the current percentage will determine if additional resources are required. Another example is the police department's tracking of civilian dispatchers employed. While this measure may seem somewhat uninformative, an increasing trend translates directly into more uniformed offices on the street, rather than working inside.

Tracking measures monthly allows a department to spot emerging patterns, which in many instances are correlated to such uncontrollable factors as weather conditions which affect street cleaning or the number of crosswalk markings, or a public health van being out of service for a number of months which affects patient numbers. Analysis midyear "cause and effects," provides valuable information to daily management and are key when evaluating year-end performance level attainment.

This year will be prove to be challenging, as necessary cuts in discretionary spending made in order to deliver a balanced budget may strain a department's ability to maintain such items as number of hanging planters and baskets, street trees planted or city-produced special events. The Mayor has worked hard to mitigate the impact of budget cuts on front-line services and core priorities. OBM will continue to carefully monitor monthly measures and share any noticeable trends with decision makers.

The City recognizes that verifying the accuracy of performance measures is critical and OBM is currently taking advantage of technology to refine the process, with the goal leading to a wider acceptance of and greater accountability for these measures.

## Improving Service Delivery

The City is proud of its contributions to improving service delivery. The FACTS program and performance measures have increased communication among departments, brought



experts in various departments together and provided reliable information to change or enhance the way we do business. The FACTS program process, in concert with ongoing performance measurement, has harnessed the departments' expertise and information to take a critical look at operations.

- Evaluation findings and recommendations result in or contribute to performance improvements in a wide variety of government operations and services. Many findings and recommendations, as well as other information from OBM, lead to direct financial benefits that impact the bottom line. Current examples of contributions to improving City government performance include the following:
- The Public Works Department has begun the process of converting 23,000 utility-owned streetlights into municipally owned streetlights. This project will deliver enhanced street lighting service while realizing approximately \$2.5 million in gross utility cost savings annually. Boston is exercising its municipal rights granted under state legislation known as Chapter 164, the 1997 Utility Restructuring Act, intended to provide rate relief for the provision on street lighting maintenance services.
- The Mayor has created the Boston Center for Youth and Families to coordinate planning, programming and policy direction in order to serve the needs of Boston's youth and families in a more focused way. Realigning the services provided by Boston Community Centers, the Office of Community Partnerships, Boston 2:00 to 6:00 and Recreation programming forms this new organization.
- The Mayor has established a development office within his own office to coordinate citywide fundraising strategies and corporate sponsorships.
- The Mayor has worked with the Transportation Department to critically evaluate Boston's in-house vehicle towing operation and has decided to competitively bid towing services with private towing contractors. This decision is estimated to save approximately \$1.2 million in FY03.

Controls will be established to ensure accountability: an inventory tracking system will be instituted at the city's tow lot and any complaints will be tracked and addressed.

- The Mayor has streamlined Property Management and Capital Construction efforts to centralize facility and construction management. Prioritizing the implementation of critical facility and construction projects will realize valuable work synergies, increase accountability and ensure the quality of public assets.
- The Code Enforcement Program within the Property Management Department, charged with enforcing environmental safety and cleanliness ordinances concerning the illegal or improper disposal and storage of trash, has been integrated into the functions of the Inspectional Services Department.
- The Mayor has created the Mayor's Energy Advisory Committee bringing City departments together to think strategically about energy management. From the Committee, working groups, composed of key players in City departments, work in conjunction with industry energy experts. The Mayor's Energy Advisory Committee has created a partnership among industry officials, academics, and local government officials. Issues tackled range from ensuring a high level of service, obtaining affordable, competitive pricing, monitoring consumption, reducing demand and meeting energy conservation commitments to evaluating emergency/public safety considerations.
- The COO's Office and the MIS department have launched a collaborative effort with city departments to efficiently provide cell phone communication services that will result in the reduction in the number of cell phones and to match the necessary cell phone functionality to meet the departments' needs. The full roll-out of this cost reduction program will involve a single corporate cell phone contract for almost all city departments that will be centrally managed by the MIS department. It is estimated that this program will reduce cell phone communication costs by 40%.
- Public art provided by the BYCC mural crew has been integrated with the efforts of the

Office of Cultural Affairs, enhancing the coordination of public art.

- The MIS department has sponsored a pro bono consulting project that evaluated transactional and/or permitting activity conducted by various City departments to determine whether processes could be streamlined and automated through the use of the City's website. This study identified business process/workflow components, such as signature and documentation requirements necessary for permitting, which will require additional evaluation prior to implementation.

### **Areas For Future Study**

Many of the City's departments find themselves encumbered with structures and systems aimed at the demands of earlier times. In addition, new security concerns have caused the city to carefully re-examine some of its processes. The Mayor recommends the examination of several inter-agency and other working relationships in order to determine organizational alternatives that will improve outcomes and better serve the citizens of Boston. Areas discussed for further study include:

- Citywide and regional radio communication systems;
- Reflexive program evaluation of Central Fleet Maintenance;
- Regulatory boards and commissions; and
- Permitting.





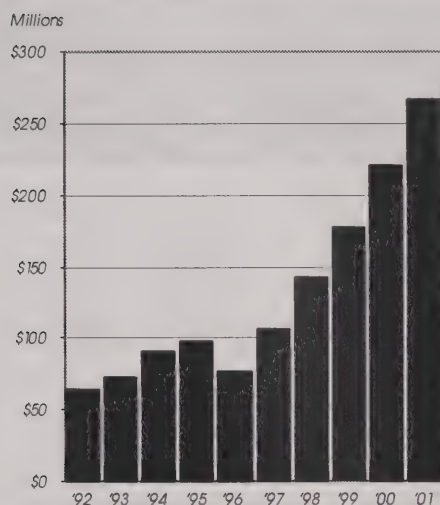
# Financial Management





# Financial Management of the City

Managing the City's finances involves both a strategic and operational component. Strategically, the finances must be managed to accommodate fluctuations in the economy and resultant changes in revenues. Operationally, the City must put in place clear financial goals, policies, and tools to implement the strategic direction.



**General Fund Equity (GAAP Basis)**  
FY92 - FY01

**Figure 1**

Over the previous fifteen years, the City's management of its finances has resulted in an upward trend in general fund equity. This trend was interrupted by only two events: the dramatic state aid reductions in FY91 and FY92; and, the merger of the city's two public hospitals with a private hospital to form a new private entity in 1996. It is expected that the latter event improved the City's future financial outlook by shielding the City from the likely growth in hospital subsidies that would have been required without the merger. (Figure 1.)

The City's general fund is the only fund for which a budget is legally adopted. Most of the City's general fund budget is raised and appropriated from the tax levy, which means it is supported by the revenues that are estimated to come in during the course of the fiscal year. A detailed discussion of these general fund revenues can be found in the Summary Budget chapter.

## **Budgetary Fund Balance**

The FY03 Operating Budget assumes an appropriation from the Budgetary Fund Balance of the general fund of \$12 million. More commonly referred to as "Free Cash", this item is most simply described as the portion of available reserves, generated to a considerable degree by annual operating surpluses, which the City can responsibly appropriate for spending. The law governing the calculation and availability of budgetary fund balance for cities and towns is Chapter 59, section 23 of Massachusetts General Law, and is administered by the Massachusetts Department of Revenue's Bureau of Local Accounts.

FY03 is the first year since FY92 that City has had to draw from Budgetary Fund Balance. It is expected that the results from FY02 will not add to the upward trend in general fund equity that the City has experienced since FY97 (Figure 1). Since the FY03 Operating Budget will require aid from general fund equity to be in balance, the impact on general fund equity for FY03 is expected to be negative. However, the \$12 million appropriation of Budgetary Fund Balance preserves the City's policy of maintaining a GAAP Undesignated Fund Balance that is 10% or higher than GAAP General Fund Operating Expenditures. The City's FY02 financial statements are expected to be available in November 2002.

<b><u>Parking Meter Fund</u></b>				
<b>Fiscal Year</b>	<b>Beginning Year Balance</b>	<b>Funds Out</b>	<b>Funds In</b>	<b>Ending Year Balance</b>
FY96	10.761	(7.000)	8.141	11.902
FY97	11.902	(8.500)	8.558	11.960
FY98	11.960	(8.500)	9.673	13.133
FY99	13.133	(1.500)	7.736	19.369
FY00	19.369	(5.031)	8.243	22.582
FY01	22.582	(6.677)	7.923	23.828
*FY02	23.828	(10.000)	7.500	21.328
*FY03	21.328	(10.000)	7.500	18.828

Notes: (\$millions), \*projected

<b><u>Cemetery Trust Fund</u></b>				
<b>Fiscal Year</b>	<b>Beginning Year Balance</b>	<b>Funds Out</b>	<b>Funds In**</b>	<b>Ending Year Balance</b>
FY96	6.519	(0.500)	2.304	8.324
FY97	8.324	(0.700)	2.701	10.325
FY98	10.325	(0.700)	2.119	11.744
FY99	11.744	(1.589)	2.008	12.163
FY00	12.163	(1.724)	3.179	13.618
FY01	13.618	(2.943)	2.566	13.240
*FY02	13.240	(1.778)	2.181	13.643
*FY03	13.643	(1.867)	2.000	13.776

Notes: (\$millions), \*projected, \*\*Includes appreciation

<b><u>Surplus Property Disposition Fund</u></b>				
<b>Fiscal Year</b>	<b>Beginning Year Balance</b>	<b>Funds Out</b>	<b>Funds In</b>	<b>Ending Year Balance</b>
FY96	32.565	0.000	1.297	33.862
FY97	33.862	0.000	0.047	33.909
FY98	33.909	0.000	0.000	33.909
FY99	33.909	0.000	0.000	33.909
FY00	33.909	0.000	0.191	34.100
FY01	34.100	0.000	8.474	42.574
*FY02	42.574	(1.876)	0.000	40.698
*FY03	40.698	(1.876)	0.000	38.822

Notes: (\$millions), \*projected

Figure 2

**Exhibit A-2****GENERAL FUND**

**Comparative Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Years Ended June 30, 2001 and 2000**  
(in thousands)

	<u><b>2001</b></u>	<u><b>2000</b></u>
<b>REVENUES:</b>		
Local:		
Real and personal property taxes, net.....	\$ 874,868	\$ 869,295
Excises.....	72,645	68,656
Payments in lieu of taxes.....	72,720	56,423
Fines.....	57,840	57,709
Investment income.....	26,289	19,255
Licenses and permits.....	36,795	28,892
Departmental and other revenue.....	58,306	45,490
Total local revenues.....	<u>1,199,463</u>	<u>1,145,720</u>
Intergovernmental:		
Commonwealth of Massachusetts.....	493,278	475,813
Total intergovernmental revenues.....	<u>493,278</u>	<u>475,813</u>
Total revenues.....	<u>1,692,741</u>	<u>1,621,533</u>
<b>EXPENDITURES:</b>		
Current:		
General government.....	67,913	65,132
Human services.....	5,464	4,916
Public safety.....	373,362	358,855
Public works.....	77,241	69,689
Property and development.....	41,300	35,230
Parks and recreation.....	15,547	13,700
Library.....	30,360	27,792
Schools.....	611,368	578,583
County.....	6,030	5,861
Judgments and claims.....	5,011	6,911
Retirement costs.....	84,970	96,019
Other employee benefits.....	90,501	86,221
State and district assessments.....	66,788	66,995
Capital outlays.....	4,057	5,868
Debt service.....	123,977	114,486
Total expenditures.....	<u>1,603,889</u>	<u>1,536,258</u>
Excess of revenues over expenditures.....	<u>88,852</u>	<u>85,275</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
Operating transfers in .....	1,678	1,636
Operating transfers out.....	0	(2,683)
Transfers from component unit.....	17,706	18,026
Transfers to component unit.....	(62,476)	(58,213)
Total other financing uses.....	<u>(43,092)</u>	<u>(41,234)</u>
Excess of revenues and other financing sources over expenditures and other financing	<u>45,760</u>	<u>44,041</u>
Fund balance, beginning of year.....	<u>220,700</u>	<u>176,659</u>
Fund balance, end of year.....	\$ <u>266,460</u>	\$ <u>220,700</u>



The City's general fund budget is also supported by some available funds. The three available funds that the City budgets each year are parking meter revenues to support the Transportation Department, cemetery trust monies to support the City's maintenance of its public cemeteries, and surplus property disposition proceeds to fund a risk retention reserve, which is discussed later in this chapter. Additional discussion about these revenue sources used to support the general fund operating budget can be found in Summary Budget.

Figure 2 provides a history, as well as projected changes in fund balances, for the available funds used to support the City's general fund budget.

**Auditing and Budgeting Practices**

The City prepares its comprehensive financial reports in accordance with generally accepted accounting principles (GAAP). However, accounting practices established by the Commonwealth's Department of Revenue, the so-called budgetary basis method of accounting, are used in the annual budget and property tax certification process. Budgetary basis departs from GAAP in the following ways:

- (a) Real estate and personal property taxes are recorded as revenue when levied (budgetary), as opposed to when susceptible to accrual (GAAP).
- (b) Encumbrances and continuing appropriations are recorded as the equivalent of expenditures (budgetary), as opposed to a reservation of fund balance (GAAP).
- (c) Certain activities and transactions are presented in separate funds (GAAP), rather than as components of the general fund (budgetary).
- (d) Amounts raised for the prior years' deficits and available funds from prior years' surpluses are recorded as revenue items (budgetary), but have no effect on GAAP revenues.

In addition, there are certain differences in classifications between revenues, expenditures and transfers. The following reconciliation summarizes the differences between budgetary and GAAP basis accounting principles for the year ended June 30, 2001.

**Adjustments Between Budgetary Basis and  
GAAP Basis of Accounting for FY01**

(in thousands)

	Revenue	Expenditures	Other Financing Sources (Uses), Net	Excess (Deficiency) of Revenue and Other Financing Sources
<u>As reported on a budgetary basis</u>	<u>1,729,781</u>	<u>1,721,156</u>		<u>8,625</u>
<u>Adjustments:</u>				
Revenues to modified accrual basis	12,415			12,415
Expenditures, encumbrances and accruals, net		(24,720)		24,720
<u>Reclassifications:</u>				
Parking meter revenue and expenditures to a special revenue fund	(6,677)	(6,677)		
Debt service expenditures	293	17,999	17,706	
State-funded teachers' retirement costs	(41,393)	(41,393)		
Trust fund revenue	(1,678)		1,678	
Public Health Commission appropriation		(62,476)	(62,476)	
<u>As reported on a GAAP basis</u>	<u>1,692,741</u>	<u>1,603,889</u>	<u>(43,092)</u>	<u>45,760</u>

## **STRATEGIC FINANCIAL MANAGEMENT**

Maintaining a healthy financial base that fully supports City services according to mayoral priorities requires constant vigilance. This work is reflected in balanced budgets, restructuring and reshaping City services, new financial management systems, efforts to secure sound recurring revenues, and responsible spending adjustments in light of revenue growth limitations. Inevitable fluctuations in the economic cycle mean that Boston must expect and be prepared to affirmatively tackle the financial challenges ahead.

Deciding to build the City's new convention center also called upon the financial management skills of City officials. Sharing a significant portion of the cost of the project with the state will be accomplished without impairing the future delivery of city services. The City also absorbed a large increase in its pension liability due to a switch from the state to the city for funding the cost of living allowances given during FY99 and beyond. This increased liability was built into the City's pension funding schedule without impairing the delivery of the current level of city services, and also without sacrificing the conservative pension funding assumptions that the City has maintained since the early 1990s.

The City's revenue growth had been strong from FY94 through FY01. FY02 was expected to, and FY03 and perhaps FY04, will be affected by the national recession of 2001-2002. Consequently, Boston budgeted conservative revenue growth in FY02, flat revenue growth in FY03 in conjunction with a draw on reserves, program cuts, and departmental consolidation of services. Currently, FY04 projections again return to conservative growth in revenue.

Below are descriptions of some of the financial management tools the City has utilized to achieve positive results.

### **Strategic Economic Development**

At the core of city government finances is a healthy Boston economy for all citizens. A critical area for economic development in Boston is the building of a new convention center. With the leadership of the Mayor, Governor, and legislative leaders, the Boston Convention and Exhibition Center is on schedule for substantial completion

in Spring 2004. Using \$157.8 million in loan authorization by the City Council, the City has completed site acquisition and groundbreaking occurred last spring. The loan will be supported by hotel excise revenue from new hotels and from other new revenue sources. The Commonwealth will be covering the cost of construction.

Additionally, as interest in commercial development in Boston continues, the Mayor has put everyone on notice that all decisions on when, where and what to build will be made with the interest of the City as a whole in mind.

### **Maximizing Return on Investment**

Through various channels, the City's administration works to maximize the service delivery provided per dollar of revenue. In 1993, city government was reorganized into a cabinet structure that forces accountability. Today, work continues to constantly reassess the management organization and distribution of finances toward priority goals that maximize return on investment. The Office of Budget Management (OBM) continues to inform management of financial decisions through service-based budgeting and objective assessments of cost efficiencies and service delivery in certain areas.

Ongoing investment in the city's resources — people, property and systems—is key to guaranteeing solid service delivery for the future. Capital investments are made as part of the annual city budget, weighing changing service needs with the need for adequate building maintenance and upgrading. Human resource training has included specialized management training and a new performance appraisal system. The City's technology needs are continually assessed and updated on an ongoing basis. The City has recently implemented its first enterprise wide management information system.

### **Diversify the City's Revenue Stream**

Eighty percent of total general fund revenue comes from just two sources, the property tax and state aid from the Commonwealth. Both of these revenues are strictly controlled by state law and state legislative action. Therefore, the City remains alert to the possibility of diversifying its revenues. For example, in order to support the funding for the convention center, the City did not draw upon the current revenue base. Instead, new City revenue sources were established and

earmarked for convention center funding. Among the city and state funding sources is an increase in the hotel excise tax in Boston and Cambridge, the full hotel excise tax for new hotels, the earmarking of certain state taxes in a convention center district, a car and truck rental fee, and the sale of additional taxi medallions. These revenue sources are targeted at those who will use the convention center or businesses that will profit from convention center activity, rather than burdening city residents. In spite of the increase, the hotel tax rate remains competitive with other major U.S. Cities.

With substantial cuts in state aid expected in FY03 and possibly continuing in FY04, along with other waning revenue from the lagged effect of economic recession, the Mayor announced in a speech the City's desire to implement other revenue streams for the future growth of the City.

Specifically, he called for a 1% local option tax on prepared food and beverages sold in municipalities in addition to the 5% state meals tax already in place. If the Legislature were to adopt this local option revenue stream, the City could recover an estimated \$15 million annually. A meals tax is a good fit for what is becoming a strong tourist and travel economy in Boston. It allows revenue generation and growth at a nominal rate without a heavy burden on residents, tourists or travelers with the total rate of taxation remaining the lowest of any major City.

Additionally, the City proposes the implementation of a telecommunication fee for the use of the public rights of way. Other cities across the country have required businesses that profit from the use of publicly-owned assets compensate the public for the use of those assets. This fee would recover approximately \$9 million annually in revenues depending on the method of calculating the fee. While telecommunications firms are currently retrenching after a substantial market shake-up, the demand for their services is growing as will the need for these firms to use the public rights of way to deliver these services. The Mayor believes that it is only fair that the public be compensated for construction on their streets and disruption of other services in the process.

Lastly, the City intends to raise several permitting and licensing fees that have been level for years to collect another \$1.5 million annually.

As each of these revenue initiatives requires approval from another political body their passage is not assured. The City will be closely watching deliberations on these matters of critical importance.

### **Protect the City from Sudden, Unexpected Catastrophic Losses**

Risk management efforts work to protect the City from sudden adverse asset losses, whether caused by a natural disaster, workplace injuries, a drop in revenues or sudden cost increases. Risk prevention efforts take place in all departments, for example: MIS maintains back-up tapes for computerized data; the City's Risk Management program addresses safety issues for employees and property; the City's Municipal Police implement a citywide security system; operating departments diversify vendors and implement long-term contracts. Although any asset loss has a financial impact, specific efforts to protect city finances include diversifying the City's revenue sources, maintaining a conservative debt ratio and a risk reserve, and prudent purchase of insurance. Risk prevention and financing efforts are further described later in this chapter.

### **Achieve a More Rational Separation of State and Municipal Obligations**

Local policy judgments, rather than state mandates, must drive financial decisions. The City's greater than average share of county corrections costs, and the cost of state mandated charter schools are two clear examples of vulnerability to state mandates that do not necessarily reflect local priorities or ability to pay. The City has fought for and received a reduced share of county correction costs in the past but a substantial inequity still remains. In FY99, the state recognized the cost impact of charter schools on hosting municipalities by partially reimbursing hosting communities for the cost of charter schools. But recently, the last two budgets proposed by the Governor (FY02 and FY03) have included a reduction in this reimbursement.

In recent years, the state itself has pursued a more rational separation of state and municipal



obligations. The state recently withdrew from any obligation for future funding of cost-of-living adjustments for local government retirees. Meanwhile, it has continued to increase its support for local public education in which it bears responsibility for equalized and adequate public education.

These 5 items; strategic economic development, maximizing return on investment, a more diversified revenue base, protection against catastrophic costs, and rational separation of city and state obligations are prerequisites to the City's future financial health.

## **RESPONSIBLE OFFICIALS AND AGENCIES**

The Mayor ultimately directs all of Boston's financial operations. The Mayor is the chief executive officer of the City and has general supervision of and control over the boards, commissions, officers, and departments of the City.

The City's Chief Operating Officer directs administrative services and labor relations.

City budget appropriations for all departments and operations of the City and Suffolk County, except the School Department and the county courts, are prepared by the Office of Budget Management, under the direction of the Chief Financial Officer.

The following six departments, which are included in the Chief Financial Officer's Cabinet, have major roles in the City's financial structure.

The Treasury Department collects revenues due to the City and Suffolk County, and pays all amounts due for payrolls and to outside vendors. The Chief Financial Officer serves as the City's Collector-Treasurer. The Treasury Department also manages the investment of City funds, and supervises borrowings by the City in the form of either short-term or long-term debt.

The Auditing Department maintains internal controls, manages grant funds, provides financial reports, maintains the financial records for the City and County, and approves all payments made by the City and County. The City Auditor is an ex-officio member of the State-Boston Retirement Board.

The Assessing Department, managed by the Commissioner of Assessing, supervises the

valuation, for tax levy purposes, of all real and personal property located in the City.

The Office of Budget Management, in addition to overseeing the operating budget, also prepares and monitors the City's capital plan and coordinates the long-range capital planning activities of City and School departments.

The Purchasing Department procures all supplies, materials, and equipment for City and County departments.

The Retirement Board oversees the City's retirement system.

Three decision-making bodies also fill prominent roles in the City's budget process. The legislative body of the City is the City Council, which consists of 13 members serving two year terms. Four are elected at-large and nine are elected from geographic districts. The City Council may enact ordinances and adopt orders, which the Mayor may either approve or veto. Only the Mayor can originate appropriation orders. Except for orders borrowing or appropriating money and for local adoption of a state statute involving the expenditure of money, the City Council may override a mayoral veto by a two-thirds vote. The City Council may reject or reduce a budget or budget item submitted to it by the Mayor, but may not increase it.

The City's public schools are under the control of the School Committee, which is appointed by the Mayor. The mayoral appointed governance structure was reaffirmed in a 1996 referendum by a 70% to 30% margin. The School Department operating budget is submitted to the Mayor and the City Council and is subject to their approval as part of a budget process parallel to, but separate from, the City and County.

Until FY91, the School Department regularly incurred operating deficits. Chapter 613 of 1987 placed stricter controls on the School Department's appropriation process, in an attempt to limit the potential for overspending, and strengthened the powers of the Superintendent vis-a-vis the School Committee. The Department, however, continued to deficit-spend. As a result, the City needed to ensure that other City spending remained below available revenues in order to offset the School Department deficits. These annual School Department deficits continued



through FY90, ending only with the creation of an appointed School Committee accountable to the Mayor.

The Boston Public Health Commission is governed by a seven-member board with six of the members appointed by the Mayor, subject to City Council confirmation. It is responsible for the implementation of public health programs in the City and provides financial support for various health services. The Boston Public Health Commission must submit a revenue and expenditure budget to the Mayor. If and when the Mayor accepts the budget (essentially the deficiency between the revenues and expenditures), then it is submitted with the rest of the City and County budget to City Council.

## **INTERNAL MANAGEMENT CONTROLS**

The City has established a system of internal management controls. These controls are designed to maximize revenue collections, manage operating and capital spending, evaluate infrastructure needs, and formalize the City's internal procedures. Major components of the City's system of financial management controls are discussed in the following paragraphs.

### **Capital Planning**

The Office of Budget Management's Capital Budgeting Program (CBP) is responsible for managing the capital budget of the City. It has overseen the significant increase in the level of infrastructure investment, resulting in the protection and preservation of the City's capital assets and the creation of jobs in the construction sector. CBP's mission is to evaluate the condition of the City's capital stock, forecast the timing and financial requirements of new construction and rehabilitation, and recommend allocation of current and future resources to meet the City's infrastructure and capital requirements. Resource availability and capital needs are assessed frequently and appropriate planning responses are taken. For example, there has been a greater need for construction and renovation of schools due to expanding enrollment, educational initiatives and accreditation needs, and this has been done with a focus on maximizing the reimbursement from the state's school building reimbursement program.

CBP evaluates and refines the relationship between the City's capital needs and resources as the City moves through each fiscal year. This process is documented by an annually updated five-year capital plan. Since FY99, the proposed capital plan has been integrated with the operating budget. The FY03-07 Capital Plan reflects the administration's commitment to comprehensive planning and investment by spotlighting projects ranging from future economic development projects to strategies for neighborhood revitalization.

In addition to its planning functions, CBP also plays an ongoing project oversight and supervisory role during the implementation phase of its capital projects. CBP reviews and approves all capital contracts and monitors project costs and schedules to ensure the adequacy of available funding sources.

### **Program-Based Budgeting and Assessments**

Since FY88, the City of Boston has used a program-based budgeting system to track expenditures and service levels by major functions or programs. This budgeting system complies with the standards of the Government Finance Officers Association, which has consistently recognized the City's efforts with its Distinguished Budget Presentation Award.

The City has built on this base of budget and performance information to design a system of departmental accountability for service outcomes, making sure services are delivered at the level expected, with a focus on customer satisfaction and service efficiency. The Office of Budget Management (OBM) plays a central role in the collection and analysis of performance data, ensures proper documentation of results, and assists departments in pursuing opportunities for improvements. All financial commitments by departments are first reviewed by OBM for conformance with service priorities and funding availability.

### **Debt Management**

The Treasury Department manages all City borrowings. The Treasury Department has focused on the timing of borrowings to take advantage of favorable market conditions and has

carefully managed the City's cash flows to help eliminate the need for short-term borrowings. The Treasury Department has established a series of debt management guidelines. The guidelines set forth the City's management policies toward rapidity of debt repayment, debt affordability, the limitation on the level of variable rate debt the City will employ, target savings for refundings, and reporting to the financial community and the rating agencies.

The City uses a comprehensive, interactive debt capacity model to assist City debt management administrators in evaluating the potential impact of debt issues on cash flow, credit and statutory debt capacity. Two mainstays of the City's positive debt service position have been the relative stability of the annual debt cost and the rapid retirement of debt. The City's annual debt cost has remained under 7% of total general fund expenditures since FY88, and in any given year during that period at least 40 percent of principal outstanding has been scheduled to be retired in five years, and 70 percent in ten years.

Other factors have contributed to this favorable debt position in the recent past. First, the City took maximum advantage of low interest rates and issued four large refundings of the City's general obligation debt in February 1993, February 1994, April 1998 and April 2001. Second, the City slowed down the rate of capital expenditures in response to reductions in local aid in FY90-92, without making the fundamental error of abandoning capital spending altogether and thereby allowing the infrastructure to deteriorate. Third, in spite of the early 1990s recession and two straight budgets with reduced revenue, the City maintained its improved bond rating and thus maintained the City's image in the capital markets. Fourth, the City has managed its cash flow such that short-term revenue anticipation notes have not been needed. This has been possible mainly because of the switchover from semi-annual to quarterly billing for property tax and from semi-annual to quarterly distribution of state local aid. The overall success in the City's debt management contributed to bond rating upgrades in 1995 and 1996, and, most recently, in February 2002 the city was awarded ratings of Aa2, AA- and AA- from Moody's Investors Service, Standard and Poor's and Fitch IBCA, Inc., respectively. The City also utilizes lease-purchase financing of equipment

with a two to seven year useful life. Annual lease-purchase financing has totaled \$7 to \$10 million for vehicles, computers, and lighter equipment. Lease-purchase financing will be \$3.5 million in FY03.

### **Pension Management**

As required by law, the State-Boston Retirement System (SBRS), of which the City is the largest member, performs a full valuation at least once every three years. The system uses the valuation to determine the total system liability and the annual funding requirement. The SBRS hires an investment manager who oversees the various fund managers of the SBRS pension assets. Positive investment performance for the SBRS has allowed for a steady upward trend in the percentage of pension liability funded. In recent years, the SBRS has averaged a rate of return on investment of assets well in excess of its 8% assumption. Even in the recent poor economic climate the SBRS investment performance has been solid. In 2000 the average annual rate of return for all Massachusetts' public pension funds was -0.57%, and for the SBRS was -0.77%. Over the years, the City has worked with the SBRS to maintain a conservative and responsible pension funding schedule. This has included maintaining a conservative investment rate of return assumption, and shortening the funding schedule.

### **Risk Management**

Across the City, risk management efforts are made to prevent, minimize, and finance unexpected losses to the City's human, financial and physical assets. The Office of Budget Management's Risk Management Program works to maximize the effectiveness of this intradepartmental effort by reviewing citywide risk costs and assisting risk management efforts. More specifically, the program assists departments in effective loss prevention, and implements a citywide risk financing strategy.

Following is further discussion of certain types of losses and how they are managed:

- The total cost of employee illness and health insurance exceeded \$130 million in FY01. The Office of Human Resources (OHR) manages healthcare costs through competitive bidding, diversification and annual negotiations of benefits with five healthcare plans, and a self-insured indemnity plan. The average per-



employee annual cost increase for the past nine years has been contained at under 5% per year, despite higher increases in recent years.

- The Office of Human Resources and the Police and Fire Departments manage citywide employee injury costs, which total over \$50 million per year. Prevention efforts are coordinated by the Risk Management Program in OBM. Specific efforts continue in the Fire department to contain injury costs, which total over 40% of the citywide total.
- The City's low liability claims costs total between \$3 million and \$7 million annually. Managed by the City's Law Department, legal claims are limited by MGL Chapter 258, which caps the City's liability for most claims.
- Unexpected losses to physical city property have been minimal, with the exception of the 1998 flood at the McKim Library, and are managed by individual operating departments.
- Because the City's risk financing program stresses departmental accountability, typical risk costs for injuries, legal claims and property losses are funded by individual departments. The City budget, in turn, is protected from a large loss through a risk retention reserve which will reach a \$5.9 million balance in 2002, and a property insurance policy that caps property losses at \$10 million.

## Property Tax Collections

The collection of property taxes has been improved by enhanced tracking systems and more thorough collection procedures and notifications. This has resulted in an increased rate of collection.

The City has implemented an aggressive enforcement program that continues to reduce the number of tax accounts that are delinquent, and to discourage new delinquencies. The City achieved a property tax collection rate of 98.6% of the FY01 gross levy as of June 30, 2001. The City's enforcement program includes the adoption of stricter guidelines for handling delinquent taxes, utilizing a variety of collection remedies authorized by state statute and working closely with the Commonwealth to refine the tax collection system. For example, the City, following requisite approval from the Massachusetts Department of Revenue, was the first municipality in the Commonwealth to amend tax bills to

include past due amounts. The City has implemented an automated tax information hot line that allows taxpayers to call from 7 a.m. to 10 p.m., seven days a week, for updated tax balances, duplicate tax bills or information on other tax related questions. In addition, during FY99, the City combined customer service for the valuation and collection aspects of property taxes that are traditionally administered separately by the City's Assessing and Treasury departments. These changes, coupled with letter writing campaigns to first-time delinquents, have resulted in a significant reduction in the number of past due accounts.

## Expenditure Controls

In addition to the management systems described above, the City operates under several statutory financial control systems. Certain controls established in the 1982 Funding Loan Act and its 1986 amendments set limits on flexibility in financial administration. Under the 1982 Funding Loan Act, for example, until April 15 of each year, the Mayor is authorized to reallocate no more than \$3 million.

Several other financial controls were enacted by state law and implemented during the 1980s. An expenditure allotment system prevents departmental overspending of personnel appropriations. Additional state law provisions are directed at the control of School Department spending. These controls, teamed with conservative and cautious estimates of annual revenue, have aided the City in avoiding operating budget deficits every year since FY85, and have aided the School Department in avoiding operating budget deficits every year since FY90.

## Reserve Fund

As required by law since 1986, the City has been maintaining a reserve fund equal to 2 1/2% of the preceding year's appropriations for all City and County departments except the School Department. The fund may be applied to extraordinary and unforeseen expenditures after June 1 in any fiscal year with the approval of the Mayor and the City Council. To date, this budgetary reserve has not been utilized. As of June 30, 2001, the reserve fund had a balance of \$20.0 million. FY03 marks only the second year since FY95 the City will be required to show an

increase in this reserve to satisfy the statutorily obligated funding level. The City expects to fulfill the Tregor Reserve requirement to add \$0.4 million to the reserve before the close of FY02.

### **Accounting System**

Financial management is supported through the City's new PeopleSoft System. This computerized financial management and human resources system is designed to track standard accounting functions such as revenues, expenditures, accounts payable, accounts receivable and general ledger. In addition, the PeopleSoft system performs the specialized functions of encumbrance control, fund accounting and grants management, as well as other accounting and budgeting functions. The utilization of this system has improved the financial monitoring and the reporting of funds management. On-line access to financial information allows department managers to evaluate directly the financial performance of their departments and specific programs within their departments.

The Auditing Department has developed a fiscal year closing process that limits and controls departmental appropriation reserves through encumbrances and closely monitors the amount of prior year reserves carried forward, which maximizes the City's undesignated fund balance. In addition, the process allows for the year-end closing and accompanying financial statements to be completed in an efficient and timely manner. The Auditing Department monitors payment lag times and citywide vendor payments. Both the tracking and scheduling of vendor payments ensures timely payments to vendors and enhances cash management. Payments to major utilities such as Keyspan and Nstar are monitored by a system that addresses disputes efficiently, thereby ensuring application of credits and the elimination of late charges.

### **Management Letters**

Each year, following the completion of the financial statements, the City's independent auditors deliver a management letter containing comments and recommendations on internal financial controls. The current management letter indicated no material weaknesses in the City's management. Specific management improvements have been recommended in the

management letters, and many of the controls that the City has implemented originated from the auditors' recommendations. The auditors have commented favorably in successive management letters on the City's progress in addressing the auditors' suggestions. Through its own efforts and, when required, through appropriate legislation, the City intends to continue to modify and improve its internal financial controls with the advice of its auditors.

### **Contracting Procedures**

The Uniform Procurement Act, Massachusetts General Laws Chapter 30B, enacted by the Commonwealth in 1990 (the UPA), creates uniform procedures for the contracting of services and supplies by all municipalities in the Commonwealth. The Auditing Department, working with the City's Law Department, has developed and implemented internal processes to conform City contracting procedures to the requirements of the UPA and other statutes specifying required contract procedures.







# Capital Planning



# Capital Planning

## OVERVIEW OF CAPITAL PLANNING

Boston's Five Year \$1.4 billion Capital Plan is an investment program for the City's future. The underlying framework for the plan emphasizes (1) the strategic use of infrastructure to promote economic development, neighborhood revitalization, quality education, health care, and public safety, (2) comprehensive planning to lay the foundation for future growth, and (3) effective government management to provide leadership and vision.

The Office of Budget Management (OBM) is responsible for managing the City's capital plan and budget. OBM coordinates the evaluation of capital requests, forecasts the timing and financial requirements of new construction and rehabilitation and recommends the allocation of current and future resources by monitoring capital expenditures.

## Capital Planning Process

Capital needs and resource availability are assessed annually through a capital planning process that results in a five-year capital plan. The first year of the spending plan is considered the City's capital budget and expenditures against this budget are closely monitored. To emphasize the balance between need and resource availability, the budget document (in Volumes II and III) includes both capital authorizations and expenditure projections for each project.

## Steps in the Process

The process begins with a capital improvement project request period where all departments have an opportunity to identify their facility, infrastructure and planning needs in a systematic manner and to forward their proposals to OBM for funding consideration. The development of department project requests may involve both internal assessments of current need as well as a review of external constituent requests.

The departmental requests must be comprehensive and meet threshold criteria established each year. Project requests include cost estimates, descriptions of the proposed scope of work, useful life statements and project justifications related to the primary criteria

All capital improvement projects requesting funding consideration this year had to meet at least one of the following threshold criteria:

- Complies with the Americans with Disabilities Act (ADA)
- Improves health and safety
- Supports economic development
- Enhances general government effectiveness
- Mitigates an environmental hazard
- Responds to a legal, legislative or administrative mandate
- Preserves existing municipal facilities

The total cost of a proposed project must also consider its long-term effect on the City's operating budget. Accordingly, project requests also include information describing the proposed projects anticipated effect on personnel, utilities, maintenance and supply costs as well as expected changes in service demand or delivery of departmental programs. As a practical matter, it is assumed that certain types of projects such as energy conservation/efficiency (i.e. heating system upgrades, roof and window replacements) provide operating savings and OBM has begun working with departments to measure these savings.

Finally, federal tax law regulations included in the 1986 Federal Tax Reform Act require a review of the submissions to determine the extent to which private purposes or benefits exist for each project. This review is necessary for Boston to maintain its tax-exempt financing status.

New capital requests that are recommended for funding are placed into a multi-year spending plan along with projects previously authorized. The Mayor submits the capital plan to the City Council each year. The City Council, in turn, holds public hearings to consider approving project authorizations. This year's capital plan identifies 577 new and continuing projects and proposes nearly \$65.3 million in new project authorization. (See Highlights)



## Financing the FY03-FY07 Capital Plan

Financing for the capital plan is derived from the following sources:

### **General Obligation (G.O.) Bonds**

General obligation bonds represent 60% of all project funding. This year's plan assumes \$450 million of new general obligation borrowings over the next five years to support ongoing capital needs. In addition, the City expects to issue approximately \$121 million in FY06 to retire bond anticipation notes that will finance the construction of two new middle schools and a new K-8 school. The proposed G.O. financing plan does not include debt the City plans to issue in FY02 to support the Boston Convention and Exhibition Center (BCEC) project (See Major Capital Projects - Boston Convention and Exhibition Center).

### **Bond Anticipation Notes (BANs)**

The financing plan for the three new schools is designed to take advantage of the reimbursement of funds from the State under the School Building Assistance Program (SBA). Under SBA, the City expects to receive approval for 90% reimbursement on approved project costs for the three schools. To best match the projected cash flow from SBA, the financing for these schools will be structured as bond anticipation notes (BANs) for the construction period with permanent financing structured to mirror the reimbursement payments from the State.

The City's share of the Boston Convention and Exhibition Center (BCEC) project which totals \$157.8 million was financed by bond anticipation notes issued in May 1999 and February 2000. The City expects to retire all outstanding notes with the proceeds of Convention Center Bonds to be issued during FY02. At the City's option, the Convention Center Bonds can be issued either as general obligation or as special obligation bonds. (See Major Capital Projects - Boston Convention and Exhibition Center)

## Highlights of the FY03-07 Capital Plan

### **Education**

- Orchard Gardens New K-8 School
- Two New Middle Schools
- Burke High School Addition and Renovation
- Mission Hill School Windows
- Humphrey O.R.C. Vocational Equipment

### **Public Safety**

- New Fire Equipment
- Fire Station Repairs
- New Fire Radio System

### **Basic Services**

- Pave the Way
- New Play Equipment And Ballfield Renovations
- Artificial turf fields at Joe Moakley Park and English High
- Centre Street Reconstruction
- Dartmouth Street Plaza

### **Human Services**

- Strand Theater Improvements
- Blackstone Community Center Renovations
- Hyde Park Community Center Improvements
- New Gym floors at Madison Park, Holland and Marshall Community Centers

### **Chief Operating Office/Chief Financial Office**

- Connolly Branch Library Upgrade
- McKim Phase II C Restoration
- Renovations and access improvements at 7 branch libraries

### **Economic Development**

- New Boston Convention Center
- Citylinks Program
- Aquarium/Central Wharf Water Transportation

### **Public Health Commission**

- New Fire Alarm System
- Homeless Shelter Renovations
- Critical repairs for Long Island Facilities
- Infrastructure improvements at Long Island

### **Environmental Services**

- Open Space Acquisition Fund
- Traffic Signal and Safety Zone Improvements
- Condor Street and Belle Island Remediation

### **State and Federal Funds**

State and federal funds, as sources of capital financing, are currently estimated at \$363.1 million from state and \$126.1 million from federal programs. Specific financing programs provide key resources for Boston's Capital Plan. Examples of these programs include:

**School Building Assistance Program:** This State Department of Education program is an important revenue source for school renovation and construction. In July 2000, the State legislature repealed the former school construction aid program and enacted Chapter 70B of the General Laws. The reimbursement rates under Chapter 70B range from 50% to 90% the same as the former law although the method of determining the appropriate rate is different. Under most conditions the City's school construction projects will continue to receive ninety percent reimbursement for the eligible project costs. The reimbursement period generally corresponds to the term of outstanding debt for each school project. Reimbursement payments are made to the City's General Fund and are included as part of the annual State Aid package. In FY02 the State reduced its funding of this program from approximately \$50 million to \$20 million annually. Due to this change in funding the city now expects annual reimbursements for the three new schools to begin no earlier than FY07. Reimbursement payments due between FY03-FY07 are forecast at \$86.7 million.

**Chapter 90 Funds:** Administered by the Massachusetts Highway Department, Chapter 90 funds are allocated by formula through State bond authorizations and through the State budget to all cities and towns in the Commonwealth. Based on current allocations, \$7.26 million in Chapter 90 funds have been provided annually with the expectation that allotments will return to the pre-FY00 levels of \$11 million annually.

**Transportation Improvement Program (TIP):** The TIP is a statewide road and bridge construction advertisement program developed under the management of the Commonwealth of Massachusetts Executive Office of Transportation and Construction (EOTC). It includes both locally owned roads and bridges as well as state owned roads and bridges. The TIP's funding sources include state issued general obligation bonds and federal dollars, which are available through the \$167 billion Transportation Equity Act for the 21st Century (TEA-21). State departments including the Massachusetts Highway Department (MHD), the Massachusetts Bay Transportation Authority (MBTA) and the Massachusetts Turnpike Authority (MTA) use

the TIP to manage the bidding and awarding of state construction projects. The capital plan carries 39 projects that are eligible for inclusion on the TIP.

**Massachusetts Water Pollution Abatement Trust (MWPAT):** A statewide revolving fund that commenced operations in 1990 to address necessary environmental actions outlined in the Federal Clean Water Act. \$13.4 million was included in an October 1999 MWPAT bond issue to cap the former Gardner Street landfill as a non-point source of water pollution and to create Millennium Park. Boston will repay the MWPAT for these essentially zero interest bond funds over twenty years.

### **Trust Funds**

The City's Trust Office manages trust funds and bequests from private citizens that are dedicated to Boston's public spaces. While these trust funds represent a small percentage, less than 1% of the overall revenue to the capital plan, they play an important role. Grants from the Edward Ingersoll Browne Trust Fund have been used for the restoration of neighborhood parks, schoolyards and public spaces. The George Robert White Fund is used to support facilities owned by the Fund.

### **Expenditures**

Capital expenditures totaled \$151 million in FY01 excluding the Convention Center. The investment in school technology continued, site demolition and remediation began for two new schools, and renovation work continued at Boston Latin School. The School Department's share of capital expenditures was approximately 38% from all sources of funds. The Fire Department began a project to replace and upgrade its radio system. During FY01, equipment upgrades at existing radio receiver sites and design on the next phase was begun. The Public Works Department will finalize the Pave the Way program. Pave the Way program will ultimately improve over 100 miles of city roadways. In addition, renovations to the Tobin Community Center were largely completed, construction on a new library in Allston and a new police station in the South End were also substantially completed.

Capital expenditures are forecast at \$152.3 million in FY02 excluding the Convention Center. Construction began on two new middle schools and one new K-8 school. In addition, the School Department continued ongoing efforts to update HVAC systems, replace roofs, repoint masonry, and install new windows. The Fire Department has ordered new apparatus, and continues

an upgrade to their radio system. Critical repairs began at Long Island and on the Long Island Bridge. The Public Works Department continued the Pave the Way program while the Parks Department oversaw renovations and upgrades to over one hundred parks, playgrounds, playing courts and ball fields throughout the City.

The capital spending program in FY03 and FY04 has been adjusted due to expected reductions in state aid. The FY02 capital plan assumed general obligation spending of \$100 million annually from FY02-06. The FY03 capital plan reduces planned general obligation spending to \$75 million in FY03 and FY04 with a return to \$100 million annually from FY05-07.

Capital expenditures are forecast at \$159 million in FY03. This total includes \$75 million for general obligation spending, \$60 million for new school construction and \$24 million from grants. Construction will near completion on the three new schools. They are scheduled to open for students in September 2003. Design and engineering will begin on an addition and renovation to Burke High School. Technology upgrades will continue with nine schools scheduled to receive data wiring and electrical upgrades in FY03. By September 2002, seventy-eight schools will have completed technology upgrades. The Parks and Recreation Department will have several major projects underway including a major refurbishment of Christopher Columbus Park and the installation of artificial turf fields at Joe Moakley Park and English High. The Fire Department will move into the next phase of the radio system upgrade and purchase several new front-line ladder and pumper trucks. The Public Works Department will conclude the Pave the Way program and continue engineering and design work on several major roadway reconstructions.

Capital expenditures are estimated at \$108 million in FY04 and then increase to \$120 million annually through FY07.

The expenditure trend shown in Figure 1 for the period FY04-FY07 includes expenditures for four of the five schools to which the Administration committed. Burke High School is the fourth school identified. The project is eligible for reimbursement under the state school building assistance program (SBA); however, given the current project waiting list, state reimbursements are not likely to begin for at least a decade. As a result, the city will submit an SBA project application to the state but the city's financing plan for the project will not

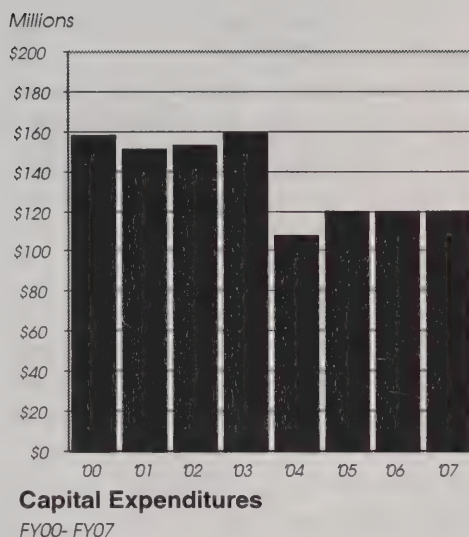


Figure 1

depend on the future reimbursement payments from the state. The cost of the project will be absorbed into the five-year capital spending plan outlined earlier in this section.

Expenditures are not detailed in the FY03-07 capital plan for the construction of the proposed fifth school. When a feasible site is identified, a reliable cost estimate is developed and the state indicates that the facility is eligible for reimbursement the capital plan will reflect its projected costs.

The City continues to aggressively pursue grant funds, maximize the use of Chapter 90 funds for road and sidewalk projects, and actively manage its projects to ensure that spending stays in line with projections and that priority projects move forward. Together, these strategies will enable the City to maintain a reasonable level of capital spending and borrowing and prudently manage its outstanding debt.

### Operating Budget Impacts

Capital project decisions frequently result in either operating cost increases or savings. Increased costs are often justified through improved or expanded service delivery or unavoidable legal mandates or regulatory requirements. Cost savings are often realized through reduced maintenance, energy savings or other efficiencies. The significance of identifying operating budget impacts took on greater urgency this year due to significant losses of operating budget revenue expected in FY03.

The School Department will see increased costs in FY03 in anticipation of opening three new schools in September 2003. Construction on these new schools



began last summer and will be completed on schedule. During the FY03 budget process the School Department reduced the preliminary cost estimate of \$224,000 to \$112,000 by staging the implementation of the necessary staffing, materials and equipment related to the pre-opening costs of the new schools.

The capital plan continues to support investments that will decrease operating expenses by reducing costs associated with emergency repairs, maintenance of old systems, and energy inefficiency. A substantial portion of the City's capital budget is focused on basic facility repairs such as roof replacements, new window installations, heating and cooling system updates, refurbishing parks, playgrounds, play lots, playing courts and ball fields.

The Boston Public Library has implemented a citywide book security system at all the branch libraries. This project will help decrease the loss rate of library books thereby reducing the annual cost of buying replacement books. A new HVAC system at the Copley Square Library will significantly improve heating and cooling service with a cost neutral utility impact in FY03. The FY03 HVAC utility budget for the Copley Square Library is \$723,000.

The Public Works Department will save nearly \$300,000 in FY03 due to a new energy efficient heating and cooling system at its Central Maintenance. These capital investments will create operating budget savings that would otherwise be unavailable for other city services.

### **Debt Management Policies and Debt Implications of the Plan**

Effective debt management will ensure that the City can meet its capital infrastructure and facility needs. Debt management requires a series of decisions about the amount, timing, purposes and structure of debt issuance. The long-term debt related to capital investment has two main purposes:

- (1) it finances acquisition, construction, repair and renovation of City-owned buildings and equipment that are necessary to provide public services; and
- (2) it finances infrastructure improvements needed for the City's continued growth and maintains safe roadway conditions.

The Treasury Department manages all City borrowings. It has focused in particular on the timing of borrowings, paying special attention to favorable market conditions. The City adopted a set of debt management policies that were implemented by the Treasury Department.

These policies address issues such as debt affordability and limitations on the level of variable rate debt the City will use. The goal is to rapidly repay debt, maintain a conservative level of outstanding debt and ensure the City's continued positive financial standing with the bond market.

Key components of the debt management policies ensure that:

- combined net direct debt does not exceed 3% of taxable assessed value;
- at least 40% of the overall debt is repaid within five years and 70% within ten years;
- annual gross debt service costs does not exceed 7% of general fund expenditures;
- the variable rate debt does not exceed 20% of the City's total currently outstanding bonded debt.

Refer to the chapter on Financial Management for further discussion of the City's financial policies and management controls.

The City's debt service forecast assumes a general obligation borrowing of \$75 million per year for FY03-FY04 and \$100 million per year for FY05-FY07. On February 1, 2002, the City issued \$100 million in general obligation bonds and \$62 million in bond anticipation notes (BANs) to finance the construction of three new schools. The City also anticipates issuing \$59 million of BANs during FY03 with plans to retire such notes during FY06 with the proceeds of school bonds totaling \$121 million. The timing of the issuance and retirement of the notes will be structured to maximize the benefits of the States' School Building Assistance program. The debt tables at the end of this chapter detail the City's outstanding debt service obligations and demonstrate the City's rapid retirement of its debt.

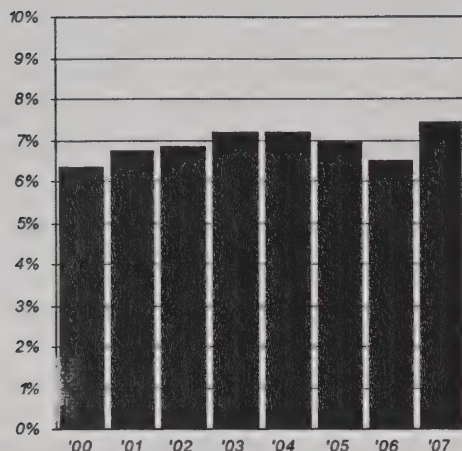
The City's debt service requirement will slightly exceed 7% of total operating budget expenses in FY03-04 and again in FY07 due to increased borrowing for schools (Figure 2).

The ratio of debt service to the City's primary revenue source, the property tax levy, declined significantly in the early 1990s. This ratio is projected to decrease modestly over the next four years and then increase in FY07 due to debt issuance for new schools (Figure 3.)

The City's current overall debt burden (net direct debt to assessed property value of \$54.19 billion) is 1.27% as of January 1, 2002. The City's net direct debt per capita currently stands at \$1,164.79 as of January 1, 2002.

Boston has been conservative about assuming long-term debt and aggressive about retiring debt expeditiously.





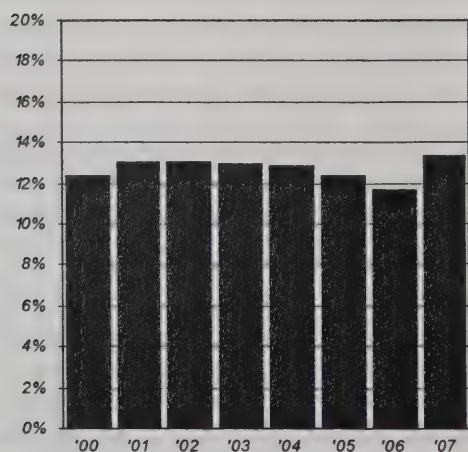
**Gross Debt Service as a Percent of Total General Fund Expenditures**

FY00 - FY07

Figure 2

As of June 30, 2001, the City's debt retirement schedule shows that 44.3% of its principal will be retired five years out, before the end of fiscal year 2006. (Figure 4). This overall approach to debt issuance has significantly shaped the City's capital investment strategy. Upgrades to the City's bond rating have also recognized the successful capital investment strategy. In February 2002, Moody's Investors Service, Standard and Poor's and Fitch IBCA, Inc. awarded the City with bond ratings of Aa2, AA- and AA-, respectively.

Boston has had eleven general obligation bond sales



**Gross Debt Service as a Percent of the Net Property Tax Levy**

FY00 - FY07

Figure 3

over the past decade, the most recent of which was for \$100 million in February 2002. The City also has had five general obligation refunding issues, the most recent was in April 2001, which achieved significant interest rate savings.

## Major Capital Projects

Table 1 lists the major projects being undertaken by the Capital Plan. Descriptions on all 577 projects can be found in Volumes II and III of the Recommended Budget. The project descriptions include authorizations and funding sources, projected expenditures and scope information.

## Boston Convention and Exhibition Center

The Convention Center Act authorizes the development of the Boston Convention and Exhibition Center (BCEC) Project on a 60-acre site in South Boston through the joint efforts of the City, the Commonwealth, the Boston Redevelopment Authority (BRA) and the Massachusetts Convention Center Authority (MCCA). The facility will include over 500,000 square feet of contiguous exhibition space, as well as ballrooms, meeting rooms, banquet and lecture halls, and parking. The BRA is authorized and directed by the Convention Center Act to acquire the site for the BCEC Project and to carry out all required site preparation, including demolition and environmental remediation. The completed site will be conveyed to the MCCA for nominal consideration. The MCCA is responsible for the design and construction of the BCEC, and its operation upon completion.

Under the Convention Center Act, all costs of site acquisition and preparation incurred by the BRA for the BCEC Project have been borne by the City up to an initial ceiling of \$157.8 million. All such costs in excess of \$157.8 million and up to \$205 million will be borne by the Commonwealth. If the costs of site acquisition and preparation exceed \$205 million, the Convention Center Act provides that the City and the Commonwealth will share the excess equally up to a maximum of \$50 million (i.e., an additional \$25 million each). The Convention Center Act authorizes the City to issue up to \$182.8 million of bonds (and notes in anticipation thereof) to finance the BRA's initial site acquisition and preparation costs up to \$157.8 million, plus an additional \$25 million, if necessary, to finance the City's share of those site acquisition and preparation costs that exceed \$205 million. All costs of design and construction of the BCEC Project will be funded by the Commonwealth through the issuance of up to \$537.2

million of special obligation bonds of the state authorized by the Convention Center Act.

In accordance with the requirements of the Convention Center Act, on March 11, 1998, the City Council and the Mayor approved the Loan Order authorizing the issuance of up to \$157.8 million in Convention Center Bonds, and notes in anticipation thereof, to fund costs of site acquisition and preparation. The costs for site acquisition and preparation have exceeded \$157.8 million. Should costs exceed \$205 million, the current earmarked revenues would provide sufficient coverage for the modest increase to the City's BCEC debt service. The City initially funded its BCEC Project costs through issuance in May 1999 of \$130 million in bond anticipation notes. In February 2000, the City issued another \$27.8 million in bond anticipation notes for the remainder of its portion of the expected BCEC Project costs. The City plans to retire the bond anticipation notes with bonds to be issued during FY02.

Convention Center Bonds issued by the City to retire the bond anticipation notes or fund additional BCEC Project site expenditures will be issued as special obligation bonds secured by a pledge of all or a portion of the City's receipts from (i) the City's receipts from the 4% local option excise tax on the transfer of rooms in any hotel, motel or other lodging establishment in the City, (ii) the City's \$1 share of the Commonwealth's receipts from a \$10 surcharge imposed on each vehicular rental transaction in the City, and (iii) all proceeds from the issuance and sale of the first 260 taxi medallion licenses issued by the Commissioner of Police after enactment of the Convention Center Act. The last two supporting revenues were established as new City revenue sources in the Convention Center Act.

The BRA provided direction, expertise and services with respect to the drafting and approval process for the environmental impact report for the project and a marketability study required by the Convention Center Act. Both the environmental impact report and the marketability study were completed and accepted in 1998. Site acquisition was completed early in 2000. The BRA has reached final settlement with owners on approximately three-quarters of the acreage of the site. For the unsettled parcels, owners have received pro tanto payments that represent the BRA's estimate of fair market value and retain their right to litigate their claims. The BRA procured a property manager for the site and completed relocation of the tenants. The BRA has completed site preparation for the project that included demolition of buildings and environmental remediation.

Work by the MCCA has commenced on the design and construction of the BCEC Project. The MCCA engaged an owners representative, a designer, a construction manager, and groundbreaking for construction of the BCEC Project took place in the spring of 2000. The MCCA has proceeded with foundation and structural steel work and has bid out more than half of the full construction. The BCEC is expected to be substantially complete in Spring 2004, with initial convention business beginning several months thereafter.

### **Fenway Park Project**

The Massachusetts legislature enacted Chapter 208 of the Acts of 2000 (the "Fenway Park Act") to support the development of a replacement facility for Fenway Park, the home field of the Boston Red Sox. Subsequent to its passage, the Red Sox were sold. The new owners of the Red Sox have not pursued the process of obtaining approvals required by Chapter 208. The Fenway Park Act is site-specific. If the new owners do not opt for the Chapter 208 plan for replacing Fenway Park, new legislation would be required if a plan put forth by the new owners requires any substantial form of public participation.

The Fenway Park Act authorizes the Economic Development and Industrial Corporation (EDIC) to acquire a site for the new ballpark adjacent to the existing Fenway Park, to relocate current owners and tenants and to demolish the existing structures on the site, to remediate any environmental and other hazards and to otherwise prepare the site for construction of the new ballpark and to lease the prepared site to the Red Sox on terms and conditions that EDIC and the Red Sox agree to, subject to the approval of the City's Collector-Treasurer. EDIC is further authorized by the Fenway Park Act to acquire an additional site adjacent to the new ballpark and to construct up to a 3,000 vehicle parking garage and related facilities on that site to support the new ballpark. Separately, the Fenway Park Act includes an appropriation by the Commonwealth of \$100 million for street, mass transit, utility, landscape and other infrastructure improvements outside of the new ballpark. Subject to authorization by the City Council and Mayor as described below, the City is obligated by the Fenway Park Act to reimburse EDIC for up to \$140 million of costs incurred by EDIC to acquire and prepare the ballpark site, and the act authorizes the City to issue up to \$140 million of either general obligation bonds or special obligation bonds for such purpose. All costs of site acquisition and preparation in excess of \$140 million, and all costs of construction of the new ballpark, are solely the responsibility of the

Red Sox. In addition the City shall have no obligation to reimburse EDIC for any costs of the site acquisition and construction of the proposed parking garage. For so long as any bonds of the City are outstanding under the Fenway Park Act, the act provides that the Red Sox shall pay rent to EDIC for its lease of the ballpark site in an amount equal to the debt service on such bonds, but in no event more than \$12.1 million annually, and EDIC shall pay this rent to the City for deposit in the ballpark site finance fund. The act further provides that the City shall credit certain facility betterment fees, administrative parking fees and sales and occupancy excise tax receipts collected by the Red Sox or paid directly to the City against the annual lease payments to be paid by the Red Sox.

Neither EDIC nor the City is authorized to incur or finance any cost of the ballpark site or the parking garage project, and the Commonwealth is not authorized to carry out any infrastructure improvements, until, among other things, a development plan for the projects shall have been approved by the City Council and the Mayor, the City Council and the Mayor shall have authorized the bonds of the City required for the ballpark site project, the City's Collector-Treasurer and the state Secretary of Administration and Finance shall have approved a finance plan for the ballpark prepared by the Red Sox, and the Red Sox shall have agreed to the terms of a ground lease which has been approved by the Collector-Treasurer. To date none of the preconditions to commencing the project have been satisfied.



Table 1

## Major Capital Projects FY2003 -- 2007 Plan

Project	Description	Plan Budget
Muddy River Stormwater Controls	Dredge and construct stormwater controls on the Muddy River. State construction funding anticipated.	91,600,000
Mildred Avenue Middle School	Design, construct and furnish a new middle school. The new facility will also include a new community center.	50,729,836
Long Island Bridge Rehabilitation	Rehabilitate bridge. State and/or Federal construction funding anticipated.	39,804,154
New Middle School	Design, construct and furnish a new middle school.	38,948,067
Orchard Gardens School	Design, construct and furnish a new K-8 school.	31,353,544
Burke High School	Acquire land, secure site and prepare schematic design.	27,000,000
East Eagle Street	Site acquisition and remediation, design and construction for a combined municipal facility that will include a new police station, ambulance garage and public works yard as well as the creation of additional open space.	20,800,000
Huntington Avenue	Design reconstruction of roadway. Construction funded with State funds.	15,736,347
Pave The Way 2000	Roadway resurfacing and sidewalk repair program citywide including traffic safety techniques where appropriate.	15,000,000
Technology Upgrades	Upgrades for technology, including upgraded electrical service and distribution; installation of data wiring.	11,825,000
Masonry Repairs at 20 Schools	Repair masonry at the following schools: Bates, Thompson, Dorchester, S. Greenwood, Higginson, King, Murphy, Mozart, Farragut, Hamilton, Lewis, Winship, Gardner, Baldwin, Eliot, Adams, Wilson, Mather, Chittick, and Rogers.	8,400,000
South Boston High School II	Update classrooms and other ancillary spaces as needed to accommodate high school accreditation requirements. Replace windows.	8,100,000
Hyde Park Avenue	Develop design and engineering plans to reconstruct the roadway, sidewalks and ornamental street lighting. Improvements to include landscaping. Construction funded with State funds.	7,689,492
Charlestown High School	Replace roof and windows. Repair masonry.	6,870,000
Christopher Columbus Park (Waterfront)	Major park renovation to include site preparation, utilities and earthwork, pavements, curbs and wall, site improvements to lawns and plantings and a new maintenance building.	4,650,000
Blackstone School Roof, Masonry, Windows	Replace roof and windows. Repair masonry.	4,620,000
Fire Boat	Purchase a new fire boat.	4,200,000
Joe Moakley Park Synthetic Turf	Design and install new synthetic turf playing field and track at the stadium.	2,239,000
English High Field	Design and install new synthetic turf playing field.	2,200,000
Mission Hill School	Replace windows.	1,150,000



# Capital Project Financing

Fiscal Years 2003 - 2007

	Existing Authorization	FY03 Authorization	FY04-07 Authorization	State	Federal	Other	Trust	Total
Boston Center for Youth and Families	12,149,300	0	850,000	5,287,000	0	0	0	\$18,286,300
Boston Redevelopment Authority	17,240,725	0	16,274,750	0	0	0	0	\$33,515,475
Environment Department	2,090,000	0	500,000	0	0	0	0	\$2,590,000
Fire Department	25,087,272	5,184,700	13,197,150	0	0	0	0	\$43,469,122
Graphic Arts Department	1,850,600	0	0	0	0	0	0	\$1,850,600
Inspectional Services Department	360,000	0	0	0	0	0	0	\$360,000
Library Department	32,394,945	1,809,500	14,615,700	26,099,200	0	0	0	\$74,919,345
Management Information Services	20,094,800	159,000	1,050,000	0	0	750,000	0	\$22,053,800
Neighborhood Development	22,979,724	3,735,000	23,263,400	36,644,154	0	0	150,000	\$86,772,278
Office of Budget Management	100,000	0	0	0	0	0	0	\$100,000
Parks and Recreation Department	47,923,860	10,103,775	6,424,600	33,475,251	49,800,000	11,736,556	0	\$159,464,042
Police Department	18,025,750	0	8,917,250	0	0	0	0	\$26,943,000
Property and Construction Management Department	17,279,013	480,000	783,000	0	0	0	0	\$18,542,013
Public Health Commission	15,547,800	476,000	0	0	0	0	0	\$16,023,800
Public Works Department	90,559,195	18,225,000	48,596,583	250,086,727	73,932,939	48,210,000	75,000	\$529,685,444
School Department	265,383,529	22,465,100	43,197,730	4,326,281	0	1,500,000	0	\$336,872,640
Transportation Department	7,791,253	2,625,000	1,057,500	7,218,997	2,400,000	0	0	\$21,092,750

Capital Planning

DEBT SERVICE PAYMENTS on GENERAL OBLIGATION BONDS

@ 6/30/01

- Stated in Five Year Intervals -  
(\$ in thousands)

@ 6/30/01

DATE of ISSUE	AMOUNT ISSUED	F'02 through F'06		F'07 through F'11		F'12 through F'16		F'17 through F'21		F'22 through F'26		F'02 through F'26	
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
April 1, 2001 R	52,025	9,225	10,340	21,600	8,106	21,200	2,252	0	0	0	0	52,025	20,698
February 1, 2001	120,000	41,800	23,119	34,450	14,861	23,275	8,357	20,475	3,067	0	0	120,000	49,404
February 1, 2000	120,000	45,385	24,771	28,290	14,978	20,705	8,080	15,780	2,268	0	0	110,160	50,097
MWPAT - October 15, 1999	13,389	2,806	3,029	3,139	2,324	3,615	1,438	3,300	378	0	0	12,860	7,170
October 15, 1998	120,000	36,500	19,776	29,975	11,726	24,170	5,693	13,935	894	0	0	104,580	38,090
April 15, 1998	15,000	4,530	2,585	3,665	1,561	2,875	714	1,060	83	0	0	12,130	4,944
April 15, 1998 R	62,855	17,685	11,197	16,120	7,365	17,355	2,005	0	0	0	0	51,160	20,567
January 15, 1998	90,000	29,060	12,106	18,770	6,699	14,165	3,009	5,215	352	0	0	67,210	22,166
November 15, 1996	90,000	28,800	11,520	17,000	5,725	12,900	2,198	2,500	63	0	0	61,200	19,505
October 15, 1995	75,000	16,600	3,927	6,400	336	0	0	0	0	0	0	23,000	4,263
September 1, 1994	70,000	21,015	3,314	2,500	70	0	0	0	0	0	0	23,515	3,384
February 1, 1994 R	85,900	29,470	11,253	28,040	3,993	3,345	84	0	0	0	0	60,855	15,329
September 1, 1993	50,000	11,545	7,623	14,955	4,602	11,155	836	0	0	0	0	37,655	13,061
February 1, 1993 R	92,305	55,535	12,302	17,185	2,018	0	0	0	0	0	0	72,720	14,320
February 15, 1992	70,715	6,210	388	0	0	0	0	0	0	0	0	6,210	388
May 15, 1991	80,000	8,515	525	0	0	0	0	0	0	0	0	8,515	525
		364,681	157,775	242,089	84,364	154,760	34,665	62,265	7,106	0	0	823,795	283,310
			522,456		326,453		189,425		69,371		0		1,107,705

% of Total Principal and

Interest Retired in 5 Years:

44%

56%

% of Total Principal and

Interest Retired in 10 Years:

74%

85%

% of Total Principal and

Interest Retired in 15 Years:

92%

97%

% of Total Principal and

Interest Retired in 20 Years:

100%

100%

% of Total Principal and

Interest Retired in 25 Years:

100%

100%

<p align="center"><b>RATE of PRINCIPAL RETIREMENT on GENERAL OBLIGATION BONDS:</b></p>
--

(as of June 30, 2001)

**Fiscal Years Ending June 30, 2002 - 2021**

<u>Fiscal Year Ended June 30,</u>	<u>Amount</u>	<u>Percentage of Total Principal Amount Retired:</u>
2002 - 2006	364,681,048.00	44.26 %
2007 - 2011	242,088,954.00	29.39 %
2012 - 2016	154,760,000.00	18.79 %
2017 - 2021	62,265,000.00	7.56 %
	<u>823,795,002.00</u>	<u>100.00 %</u>

**Figure 4**

# OUTSTANDING DEBT as of JUNE 30, 2001

	Outstanding @ 6/30/01	Percent of Total Outstanding Debt
<b>General Purpose:</b>		
Acquisition of Land, Parks and Recreation/		
Outdoor Facilities/Cemeteries/LandFill Areas	63,980,613.04	7.77
Departmental Equipment	28,110,435.88	3.41
Computer Hardware/Software	39,418,725.28	4.79
Remodeling & Extraordinary Repairs	236,999,117.27	28.77
Rem., Recon., Rehab., Firefighting Apparatus	75,095.14	0.01
Engineering and Architectural Services	760,269.48	0.09
	369,344,256.09	44.83 %
<b>Urban Development:</b>		
Economic Development and Industrial Corporation	8,664,784.66	1.05
Urban Redevelopment and Renewal	34,590,679.14	4.20
	43,255,463.80	5.25 %
<b>Parking Facilities:</b>		
Parking Facilities/General	51,719.83	0.01
	51,719.83	0.01 %
<b>Schools:</b>		
Capital Improvements, Act of 1966	105,995.50	0.01
Capital Improvements, Act of 1973	2,010,867.89	0.24
Capital Improvements, Act of 1991	19,384,289.38	2.35
Capital Improvements, Act of 1996	30,610,633.37	3.72
School Project Loan, Act of 1948	63,445,362.69	7.70
	115,557,148.83	14.03 %
<b>Public Buildings:</b>		
Construction of Buildings	82,855,002.38	10.06
Capital Improvements, Act of 1966	95,263.31	0.01
Capital Improvements, Act of 1973	35,584,411.56	4.32
Capital Improvements, Act of 1991	46,813,172.02	5.68
Capital Improvements, Act of 1996	41,468,003.15	5.03
	206,815,852.42	25.11 %
<b>Public Works:</b>		
Construction of Bridges	20,973,127.36	2.55
Construction of Public Ways	45,932,766.01	5.58
Construction of Sidewalks	7,627,838.45	0.93
Traffic Signals, Public Lighting, Fire Alarms	14,236,829.02	1.73
	88,770,560.84	10.78 %
<b>GRAND TOTAL =</b>	<b>823,795,001.81</b>	<b>100.00 %</b>

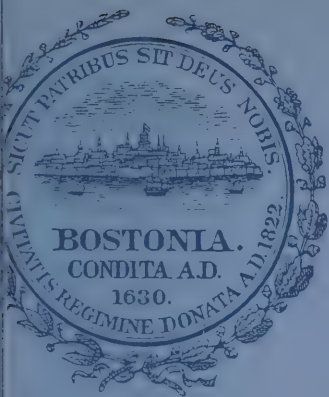


**CAPITAL FUND DEBT SERVICE REQUIREMENTS - FISCAL YEARS 2001 to 2007**

	Actual 6/30/2001	Projected 6/30/2002	Projected 6/30/2003	Projected 6/30/2004	Projected 6/30/2005	Projected 6/30/2006	Projected 6/30/2007
<b>Gross Debt Service Requirements - Bonded Debt:</b>							
Total Principal:	75,594,255	82,012,626	86,031,045	88,080,297	87,840,488	83,076,592	99,455,539
Total Interest:	37,990,468	38,732,577	41,522,860	41,569,180	42,258,274	43,877,861	51,408,465
(1) Total	<b>\$113,584,723</b>	<b>\$120,745,203</b>	<b>\$127,553,905</b>	<b>\$129,649,477</b>	<b>\$130,098,762</b>	<b>\$126,954,453</b>	<b>\$150,864,004</b>
<b>Less Revenue Deemed Available from Related Sources:</b>							
Boston Medical Center	3,006,223	2,760,179	2,669,165	2,240,844	1,766,791	918,855	773,544
Boston Public Health Commission	2,107,067	2,053,206	1,929,177	1,769,448	1,156,990	731,770	709,398
Water and Sewer Payments	0	0	0	0	0	0	0
Gardner Street Landfill Subsidy	625,412	611,139	596,577	581,779	566,722	551,381	535,707
(2) Irrigation Project Reimbursement	0	0	106,997	270,584	282,957	255,329	247,702
Accrued Interest	393,256	385,260	537,697	100,000	100,000	100,000	100,000
Premium	1,439,873	560,711	1,416,414	100,000	100,000	100,000	100,000
<b>Plus: Interest on Temporary Loan Notes and Other Items:</b>							
Revenue Anticipation	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Cost of Issuance	500,000	500,000	500,000	500,000	500,000	500,000	500,000
(3) School B.A.N.'s	0	1,000,000	3,170,000	4,530,000	4,530,000	4,530,000	0
<b>Total Debt Service/Budget Summary:</b>	<b>\$109,512,892</b>	<b>\$118,874,707</b>	<b>\$126,967,880</b>	<b>\$132,616,822</b>	<b>\$134,175,303</b>	<b>\$132,327,118</b>	<b>\$151,897,653</b>
<b>Additional Adjustments:</b>							
Less:							
School Construction Assistance	20,199,100	17,146,020	17,346,784	16,906,880	16,811,627	16,017,707	19,704,346
(4) Room Occupancy Excise Fund	6,659,500	6,659,500	7,689,032	7,873,385	8,433,325	8,436,909	8,433,454
(4) Convention Center B.A.N.'s	6,659,500	6,659,500	0	0	0	0	0
(4) Convention Center Special Obligation Bonds	0	0	7,689,032	7,873,385	8,433,325	8,436,909	8,433,454
<b>Total Net Debt Service Requirements:</b>	<b>\$89,313,792</b>	<b>\$101,728,687</b>	<b>\$109,621,096</b>	<b>\$115,709,942</b>	<b>\$117,363,676</b>	<b>\$116,309,411</b>	<b>\$132,193,307</b>

**NOTES:**

- (1) FY02 - On February 1, 2002, the City issued \$100 million in General Obligation Bonds with a 20 year maturity and an average interest rate of 4.36%. Assumes debt issuance as follows...  
 FY03-FY04 - Assumes General Obligation debt issuance each year of \$75 million, with a 20 year maturity and average interest rates of 5.5%.  
 FY05-FY07 - Assumes General Obligation debt issuance each year of \$100 million, with a 20 year maturity and average interest rates of 6.0%.  
 FY06 - Assumes debt issuance for School purposes of \$121.0 million, with a 15 year maturity and an average interest rate of 4.9%;
- (2) Project Costs will be offset by the "Fund for Parks and Recreation".
- (3) FY01 - On February 1, 2001, the City issued \$25 million in Bond Anticipation Notes at an interest rate of 4.0% which will mature on February 1, 2003.  
 FY02 - On February 1, 2002, the City issued \$62 million in Bond Anticipation Notes at an interest rate of 3.5% which will mature on February 1, 2006.  
 FY03 - Assumes Bond Anticipation Note issuance of \$59 million at an interest rate of 4.0% which will mature on February 1, 2006.
- (4) FY02 - On May 1, 1999, the City issued \$130 million in Bond Anticipation Notes at an interest rate of 4.0% which will mature on May 1, 2002.  
 FY02 - On February 1, 2000, the City issued \$27.8 million in Bond Anticipation Notes at an interest rate of 5.25% which will mature on May 1, 2002.  
 FY02 - Assumes Special Obligation Bond issuance for the Convention Center of \$117.5 million with a 25 year maturity with an average interest rate of 5.07%.  
 The City expects to retire all Convention Center Notes with the proceeds of the Special Obligation Bonds to be issued in FY02; pledged revenues



# Statutes and Ordinances



# Statutes and Ordinances

## Governing Boston's Operating and Capital Budgets

This section summarizes key Commonwealth laws and City ordinances affecting Boston's operating budget development and its subsequent expenditure. The section also covers significant laws and ordinances governing general obligation loan authorization. Although the material is not all-inclusive, please note that it covers the more important laws guiding the budget process.

In addition to the statutes and ordinances, other budget-related directives are in various mayoral Executive Orders and in the policies and administrative guidelines issued by the Office of Budget Management.

For understanding Boston's operating budget, the most important pieces of legislation are Chapter 190 of the Acts of 1982, commonly referred to as the Tregor legislation, and Chapter 701 of the Acts of 1986, known as the Tregor Amendments.

### **Annual Appropriation Process**

Section 15 of Chapter 190 of the Acts of 1982, as amended by Section 2 of Chapter 701 of the Acts of 1986 states that "all appropriations, excepting those for school purposes, to be met from taxes, revenue or any source other than loans, shall originate with the mayor. The mayor, not later than the second Wednesday in April of each year, shall submit to the city council the annual budget of the current expenses of the city and county for the forthcoming fiscal year...

"The city council may reduce or reject any item but, except upon the recommendation of the mayor, shall not increase any item in, nor the total of, a budget nor add any item thereto, nor shall it originate a budget.

"Not later than the second Wednesday in June, the city council shall take definite action on the annual budget by adopting, reducing or rejecting it, and in the event of their failure to do so, the items and the appropriation orders in the budget as recommended by the mayor shall be in effect as

if formally adopted by the city council...

"The city council shall take definite action on any supplementary appropriation order and any order for a transfer of appropriations by adopting, reducing or rejecting it within sixty days after it is filed with the city clerk...

### **School Department Budget Process**

Subsection 6 of Section 32 of Chapter 71 of the Acts of 1993 states that "in addition to amounts appropriated for long-term debt service, school lunches, adult education, student transportation, and tuition revenue, each municipality in the commonwealth shall annually appropriate for the support of public schools in the municipality and in any region school district to which the municipality belongs an amount equal to not less than the sum of the minimum required local contribution, federal impact aid, and all state school aid and grants for education but not including equity aid, for the fiscal year...the commissioner (of the Department of Education) shall estimate and report such amounts to each municipality and region school district as early as possible, but no later than March first for the following fiscal year."

Section 2 of Chapter 224 of the Acts of 1936, as amended by Chapter 613 of the Acts of 1987 further states that "(a) In acting on appropriations for educational costs, the city council shall vote on the total amount of the appropriations requested by the mayor, but neither the mayor nor the city council shall allocate appropriations among accounts or place any restriction on such appropriations. The appropriation of said city shall establish the total appropriation for the support of the public schools, but may not limit the authority of the school committee to determine expenditures within the total appropriation; provided, however, that if the city auditor determines that school department expenditures in any fiscal year are projected to be



in excess of total budgeted expenditures for that fiscal year, as supported by appropriation and other available funding, then the school committee shall not reallocate or transfer funds from any item in the budget for that fiscal year to fund any such projected additional expenditures.

“(b) After the fourth Wednesday of March of any fiscal year, the school committee shall not initiate or authorize any new or additional programs or categories of expenditures requiring additional unbudgeted expenditures unless such programs or categories have been incorporated and fully funded in the budget for the subsequent fiscal year. If such programs or categories have not been incorporated and fully funded in the budget for the subsequent fiscal year, they shall not be initiated or authorized until the school committee shall have amended its budget submission for the subsequent fiscal year to reduce or eliminate other costs, programs or categories in amounts equal to the projected annualized costs of the new or additional programs or categories of expenditures.

“(c) The superintendent of schools shall prepare and submit to the school committee, the city auditor and the city office of budget management, a monthly budget update report which shall detail and itemize year-to-date and projected school department expenditures and budget transfers.”

### **School Department Financial Affairs**

Section 1B of Chapter 231 of the Acts of 1906, as amended by Chapter 613 of the Acts of 1987 notes that “the school committee may delegate, in whole or in part, to the superintendent of schools the authority to approve for the school department the acceptance and expenditure of grants or gifts of funds from the federal government, charitable foundations, private corporations, individuals, or from the commonwealth, its counties, municipalities or an agency thereof, the provisions of section fifty-three A of chapter forty-four of the General Laws notwithstanding.

“(b) The superintendent of schools shall provide to the school committee, the city auditor and the office of budget management of the City of Boston a report, detailing the source, purpose and balance on hand of all funds received or expended pursuant to subsection (a), quarterly.”

Section 2 of Chapter 231 of the Acts of 1906, as

amended by Chapter 613 of the Acts of 1987 states that “subject to appropriations therefor, the superintendent of schools shall have the exclusive authority to make on behalf of the school committee contracts, or amendments to contracts, for the purchase or rental of equipment, materials, goods or supplies, leases of property, alterations and repairs of school property, and for professional or other services, with the exception of collective bargaining agreements and contracts for the transportation of students. All school department contracts or amendments to contracts shall otherwise conform to the requirements of the city charter of the city of Boston.

“(b) With respect to all contracts, agreements or amendments thereto made or entered into by the school department, the superintendent shall be responsible for establishing procedures for auditing and monitoring the compliance of the parties with the terms and obligations of such contracts, agreements or amendments thereto.”

### **Charter Schools Legislation**

Chapter 46 of the Massachusetts General Laws was enacted in July, 1997, amending the Education Reform Act of 1993 and establishing guidelines for charter schools across the state. Charter Schools are established for several reasons, including

encouraging development and maintenance of innovative and creative learning programs within public education,

allowing educators more flexibility in working with local school committees and unions,

giving parents and students greater choice in learning programs,

presenting educators with opportunities and tools to establish innovative and alternative educational programs,

fostering performance-based educational programs,

developing models for other schools to follow, and

providing students with opportunities to specialize within academic areas.

Chapter 46 allows 50 charter schools. This total includes 37 commonwealth charter schools and 13 Horace Mann charter schools. A commonwealth charter school is a public school that is operated

under a charter granted by the Board of Education. Commonwealth charter schools operate independently from local school committees and are managed by a separate board of trustees. Horace Mann charter schools are either public schools or programs that operate under a charter granted by the Board of Education and approved by the local school committee and the local bargaining agent.

Beginning in FY99, the state will absorb 100 percent of first-year tuition costs for new commonwealth charter students. Each year, thereafter, the state will absorb incrementally less until the student's fourth year when the local school district will assume 100 percent of the tuition cost.

The trustees for the Horace Mann charter schools shall annually submit a budget request to the superintendent and school committees for the following year. In response to its budget request, the Horace Mann charter school shall not receive less funding than it would under the district's budgetary allocation rules.

### **Reserve Fund**

Section 7 of Chapter 701 of the Acts of 1986 requires the creation of an operating budget Reserve Fund to deal with "extraordinary and unforeseen expenditures." This section requires that "prior to the date when the tax rate for a fiscal year is fixed, [the City must] include in the appropriations for such a fiscal year as a segregated reserve fund a sum not less than 2 1/2 percent of the preceding year's appropriations for city and county departments, excepting the school department...

"The mayor, with the approval of the city council, may make direct drafts or transfers against this fund before the close of the fiscal year, provided that no such drafts or transfers be made before June first in any fiscal year.

"Each transfer recommended by the mayor to the city council shall be accompanied by written documentation detailing the amount of such transfers and an explanation for the transfer..."

The section also notes that "the school department shall establish a segregated reserve fund of not less than one percent of the current fiscal year's appropriations to the school department within ten days of final approval of such appropriations.

No expenditures may be made from this [school department reserve] fund before May first in any fiscal year..." and "shall require the approval of the mayor and the city council."

### **Budget Allotment Process and Reallocations**

Section 18 of Chapter 190 of the Acts of 1982, as amended by Sections 8 and 9 of Chapter 701 of the Acts of 1986, requires that "on or before August first of each year, or within ten days of the annual appropriation order for such fiscal year, whichever shall occur later, the city or county officials in charge of departments or agencies, including...the school department, shall submit to the city auditor, with a copy to the city clerk...an allotment schedule of the appropriations of all personnel categories included in said budget, indicating the amounts to be expended by the department or agency for such purposes during each of the fiscal quarters of said fiscal year."

The school department's allotment may not be greater than 20 percent for the first quarter and 30 percent in each of the remaining three quarters. Allotments for city and county agencies may not exceed 30 percent for first or second quarters or be less than 21 percent for the third and fourth quarters.

In addition, "whenever the city auditor determines that any department or agency, including the school department, will exhaust or has exhausted its quarterly allotment and any amounts unexpended in previous quarters, he shall give notice in writing to such effect to the department head, the mayor and the city clerk, who shall transmit the same to city council.

"The mayor, within seven days after receiving such notice, shall determine whether to waive or enforce such allotment. If the allotment...is waived or not enforced...the department or agency head shall reduce the subsequent quarter's allotments appropriately and the director of administrative services, within seven days, shall state in writing to the city council and the city clerk what reductions in each subsequent quarter's allotment will be taken or what reallocations or transfers will be made to support the spending level in each subsequent quarter's allotment. If the allotment for such quarter is enforced and not waived, thereafter the department shall terminate all personnel expenses for the remainder of such

quarter...

"No personal expenses earned or accrued, within any department, shall be charged to or paid from such department's or agency's allotment of a subsequent quarter without approval by the mayor, except for subsequently determined retroactive compensation adjustments.

"Approval of a payroll for payment of wages, or salaries or other personnel expenses which would result in an expenditure in excess of the allotment shall be a violation by the department or agency head...

"To insure that the overall city and county spending program remains in balance, the mayor may reallocate no more than three million dollars of non-personnel appropriations other than school appropriations during a fiscal year to other departmental purposes provided that in no department from which appropriations have been reallocated in accordance with this section shall any transfers be made...from personal services to non-personal services, except with the approval of a two-thirds vote of city council, if such transfer would require the layoff of departmental personnel, who have been permanently appointed to a position in the department...

"No reallocation may be made under this section after April fifteenth in any fiscal year.

"A list of each reallocation made by the mayor shall be transmitted to the city council and the city clerk by the city auditor by April thirtieth in any fiscal year. In each case, the report shall state the accounts from which the transferred funds were taken and the accounts to which the funds were reallocated, and the reasons therefor."

### **Transfer of Appropriations**

Section 23 of Chapter 190 of the Acts of 1982, as amended by Section 3 of Chapter 701 of the Acts of 1986, states that "after an appropriation of money has been made...no transfer of any part of the money thus appropriated, between such department or office and another department or office, shall be made, except in accordance with and after the written recommendation of the mayor to the city council, approved by a vote of two-thirds of all the members of the city council, provided that the city auditor, with the approval in each instance of the mayor, may make transfers,

other than for personal services, from any item to any other item within the appropriations for a department, division of a department or county office.

"After the close of the fiscal year, the city auditor may, with the approval of the mayor in each instance, apply any income, taxes, and funds not disposed of and make transfers from any appropriation to any other appropriation for the purpose only of closing the accounts of such fiscal year, provided further that the city auditor within seventy days after the close of the fiscal year, shall transmit to city council and the city clerk a report listing what income, taxes, or funds were applied and what transfers were made and the reasons therefor."

### **Penalty for Overspending Budget**

Section 17 of Chapter 190 of the Acts of 1982 (Tregor) states that "[n]o official of {the} city or county except in the case of extreme emergency involving the health and safety of the people or their property, shall expend intentionally in any fiscal year any sum in excess of the appropriations duly made in accordance with law, nor involve the city in any contract for the future payment of money in excess of such appropriations...

"Any official who violates the provisions of this section shall be personally liable to the city for any amounts expended intentionally in excess of an appropriation to the extent the city does not recover such amounts from the person to whom paid..."

### **Appropriation Restrictions**

Section 10 of Chapter 701 of the Acts of 1986 requires that "the mayor and city council shall appropriate for the hospitalization and insurance account an amount not less than the average of the past three years actual expenditures from those accounts. The city auditor shall certify, in writing to the board of assessors, that adequate funds are provided in the operating budget for existing collective bargaining contracts..."

Restrictions on the Use of Proceeds from the Disposition Of Surplus Property - Section 24 of Chapter 190 of the Acts of 1982, as amended by



Section 4 of Chapter 701 of the Acts of 1986, requires that “proceeds from the disposition of any surplus property shall be deposited in a separate fund which shall be known as the Surplus Property Disposition Fund, and shall be used only as follows: (1) the amount equivalent to the debt incurred, and interest paid or payable thereon, as a result of the acquisition or improvement from time to time of the property shall be used only for purposes for which the city is authorized to incur debt for a period of ten years or more [and] (2) all proceeds in excess of such amount shall be credited to the capital fund of the city unless the city council by a majority vote determines with the approval of the mayor to credit such proceeds to the general fund of the city.”

### **Duties Of Supervisor Of Budgets**

City of Boston Code Ordinance 5, section 5 states that “[t]he supervisor of budgets shall, under the direction of the mayor and in consultation with the director of administrative services, prepare in segregated form the annual and all supplementary budgets...and shall report to the mayor on all subsequent revisions of the items in any budget...

“The supervisor of budgets shall also prepare...all transfer orders...

“The supervisor of budgets shall further prepare...the form of estimate sheets to be used by each officer, board and department, and each division of a department for which the city appropriates money, and the form of monthly report of such officer, board and department, and each division thereof, showing expenditures to date of all appropriations by them.

“The supervisor of budgets shall, in addition, have the powers and perform the duties conferred or imposed on the budget commissioner by any statute other than section 56 of chapter 35 of the General Laws.”

### **Convention Center Legislation**

Chapter 152 of the Acts of 1997, the convention center legislation, was enacted on November 19, 1997. This legislation authorizes the development and construction of a convention center in Boston as well as borrowing for other convention center-related projects in Worcester, Springfield, Pittsfield, Fitchburg, Greater New Bedford,

Holyoke and for conducting studies of other areas of the state.

Under this legislation and through the joint efforts of the Boston Redevelopment Authority (BRA) and Massachusetts Convention Center Authority (MCCA), the new Boston Convention and Exhibition Center will be developed and constructed on a 60-acre site in South Boston. The facility, which is expected to be substantially complete in Spring 2004, will include over 500,000 square feet of contiguous exhibition space in addition to ballrooms, meeting rooms, banquet, and lecture halls.

The enabling law authorizes the Commonwealth to borrow up to \$609.4 million for facility construction and the City to borrow up to \$157.8 million. If necessary, the City is also authorized to borrow up to an additional \$25 million for acquisition and preparation of the land. The state funds its share of expenses through several methods, including convention center financing fees from hotel, meals, beverage and sales taxes; tourist, sightseeing and entertainment vehicle surcharges, and vehicle rental surcharges (\$10 each, of which \$1 will be earmarked for Boston).

Boston's expenses are funded through a Room Occupancy Excise Fund encompassing four major revenues. First, the City earmarks for the fund the four-percent excise from new hotels that opened on or after July 1, 1997. Second, the City receives a \$1 surcharge for car and truck rentals as part of the state surcharge. Next, the City of Boston receives a reimbursement from the state for its net interest expense through June 30, 2003. Also, the City will issue 260 additional hackney licenses (235 have been issued to date). The first 235 taxi medallions sold for an average of approximately \$154,000 each, and raised an estimated \$36.2 million.

With the construction of the new convention center, Boston is poised to become a major competitor for international and national convention and exhibition business, thereby stimulating economic development and investment. With new attractions, tourism-related businesses will expand, thereby encouraging secondary spending for transportation services, recreation, and entertainment and at hotels, restaurants, and retail stores. The ultimate economic benefit will be new jobs, new businesses,



and new investment opportunities, resulting in an improved quality of life for Boston residents.

### **New Fenway Park Legislation**

The Massachusetts legislature enacted Chapter 208 of the Acts of 2000 (the "Fenway Park Act") to support the development of a replacement facility for Fenway Park, the home field of the Boston Red Sox. Subsequent to its passage, the Red Sox were sold. The new owners of the Red Sox have not pursued the process of obtaining approvals required by Chapter 208. The Fenway Park Act is site-specific. If the new owners do not opt for the Chapter 208 plan for replacing Fenway Park, new legislation would be required if a plan put forth by the new owners requires any substantial form of public participation.

The Fenway Park Act authorizes EDIC to acquire a site for the new ballpark adjacent to the existing Fenway Park, to relocate current owners and tenants and to demolish the existing structures on the site, to remediate any environmental and other hazards and to prepare the site for construction of the new ballpark and to lease the prepared site to the Red Sox on such terms and conditions as EDIC and the Red Sox shall agree subject to the approval of the City's Collector-Treasurer. EDIC is further authorized by the Fenway Park Act to acquire an additional site adjacent to the new ballpark and to construct up to a 3,000 vehicle parking garage and related facilities on that site to support the new ballpark. Separately, the Fenway Park Act includes an appropriation by the Commonwealth of \$100 million for street, mass transit, utility, landscape and other infrastructure improvements outside of the new ballpark.

Subject to authorization by the City Council and Mayor as described below, the City is obligated by the Fenway Park Act to reimburse EDIC for up to \$140 million of costs incurred by EDIC to acquire and prepare the ballpark site, and the act authorizes the City to issue up to \$140 million of either general obligation bonds or special revenue bonds for such purpose. All costs of site acquisition and preparation in excess of \$140 million, and all costs of construction of the new ballpark shall solely be the responsibility of the Red Sox. In addition, the City shall have no obligation to reimburse EDIC for any costs of the site acquisition and construction of the proposed

parking garage. For so long as any bonds of the City are outstanding under the Fenway Park Act, the act provides that the Red Sox shall pay rent to EDIC for its lease of the ballpark site in an amount equal to the debt service on such bonds, but in no event more than \$12.1 million annually, and EDIC shall pay this rent over to the City for deposit in the ballpark site fund. The act further provides that the City shall credit certain facility betterment fees, administrative parking fees and sales and occupancy excise tax receipts collected by the Red Sox or otherwise paid to the City against the annual lease payments to be paid by the Red Sox.

Neither EDIC nor the City is authorized to incur or finance any cost of the ballpark site or the parking garage project, and the Commonwealth is not authorized to carry out any infrastructure improvements, until, among other things, a development plan for the projects shall have been approved by the City Council and the Mayor, the City Council and the Mayor shall have authorized the bonds of the City required for the ballpark site project, the City's Collector-Treasurer and Secretary of Administration and Finance shall have approved a finance plan for the ballpark prepared by the Red Sox, and the Red Sox shall have agreed to the terms of a ground lease which has been approved by the Collector-Treasurer. To date none of the preconditions to commencing the project has been satisfied.

### **The Boston Jobs and Living Wage Ordinance**

Chapter 3 of the Ordinances of 1998, amending Chapter 5 of the Ordinances of 1997, was enacted on July 1, 1998. This ordinance established guidelines requiring companies and organizations with city service contracts of \$100,000 or more to pay all workers a living wage of at least \$9.11 an hour. The Living Wage Advisory Committee is considering recommendations for expansion of this ordinance.

The intent of this ordinance is to balance a decent wage for the working poor with economic development in the business community. By raising the wage level, it is expected that consumer income will increase, poverty levels will decrease, neighborhood businesses will be invigorated, and the need for taxpayer-funded

social programs will decline. The Living Wage level, higher than the federal minimum wage, is designed to meet the needs of a family of four to live at or above the federal poverty level.

This ordinance applies to for-profit companies with 25 employees or more and non-profit businesses with 100 employees or more.

Exemptions to this ordinance include school to work programs, summer youth programs, seasonal or part-time work, or where compliance would result in extreme hardship.

### **Registration of Bicycle Messenger Services and Licensing of Commercial Messengers**

Chapter 302 of the Acts of 1998, approved on August 4, 1998, requires the registration of bicycle messenger services and licensing of commercial bicycle messengers in Boston. Although the registration fee is nominal and will not have a substantial impact on the City's budget, the main purpose for this law is to promote and maintain public safety and traffic safety control. As part of the registration process, each messenger must be instructed in safe bicycling techniques in accordance with section 11B of Chapter 85 of the General Laws.

The Boston Police Commissioner issues numbered permits (lightweight, reflective patches) that must be displayed on either the messenger's back or backpack. A bicycle messenger is subject to a fine for failing to carry a commercial bicycle messenger license when conducting business. In extreme cases for repeat offenders, the commissioner may deny, suspend or revoke a license. Messengers may request a hearing to appeal. The Act exempts persons under 17 years old who deliver newspapers or circulars.

In addition, each messenger must show proof of insurance coverage for minimum amounts for property damages, for injuries or death of a person, and for injuries to or death of more than one person in any one accident. Also, Bicycle Messenger Services must provide workers compensation coverage by law.

### **Changes in Contracting Procedures**

Chapter 262 of the Acts of 1998 establishes that any department, officer or board of the City of Boston or Suffolk County must initiate a contract when the amount involving a request for services

or purchase is \$10,000 or more. Previously, the amount requiring a contract was \$2,000. Raising the contract level reduced the amount of processed paperwork, streamlined the acquisition process, and reduced the time needed for retaining goods and services.

### **Civil Service Changes**

Chapter 282 of the Acts of 1998 requires that the state Personnel Administrator certify current provisional employees and provisional promotees who have served in civil service positions within the City of Boston for at least six months prior to January 1, 1998 to permanent civil service status in those positions. Under this law, approximately 3,100 employees became permanent civil servants.

### **Pension Funding Changes**

To aid municipalities dealing with property tax reduction due to Proposition 2 1/2, the state began assuming the cost for local pension COLAs as of 1981. During the FY97 budget process, the state clearly stated it would not fund local pension COLAs in subsequent years. The state, however, remains obligated to pay for local pension COLAs awarded between FY81 and FY97.

The impact of assuming the funding for COLAs granted after FY98 could have severely impaired the City's budget had Boston not changed its funding schedule to fully fund pension liabilities on a new, adjusted schedule. Specifically, without any changes, the COLA costs would have increased the City's pension contribution by \$27.9 million in FY99 with an expectation of 4 1/2 percent growth each year. However, the City instituted changes in the funding schedule to offset the increased costs.

There are several considerations that should be addressed before the adoption of an annual COLA increase. The following considerations should trigger denial of a COLA:

1. The SBRS (State-Boston Retirement System) rate of return on assets during the previous calendar year was less than was less than the rate assumed in the state-approved pension funding schedule;
2. For a majority of the City's union members no collective bargaining increases have been awarded during the current fiscal year;



3. The property tax levy in the last state-approved property tax rate has been restricted or reduced due to the net effective property tax rate hitting the property tax rate ceiling of 2.5% of total taxable value;
4. The City's current fiscal year net cherry sheet aid (cherry sheet aid minus cherry sheet state assessments) has been reduced;
5. The City shows a deficit in the most recent completed fiscal year for the budgetary basis fund operating budget.

### **Boston Public Health Act of 1995**

The goal of the Boston Public Health Act of 1995 (Chapter 147) is to establish a new, comprehensive health care system to meet the challenges of a rapidly changing health care environment and ensure continuous delivery of high-quality health care services to residents. The new health care network of public and private partnerships unites outreach, health education, prevention, outpatient and inpatient services, home care, emergency care, specialty care, aftercare, rehabilitation, and long-term care services into an integrated continuum of care. The overall goals are promoting health and well being, meeting medical and public health needs, and educating future physicians and caregivers. The system also addresses cultural and linguistic diversity to meet the health needs of persons of all races, languages, cultures, and economic classes.

Chapter 147 abolished the Department of Health & Hospitals and established the Boston Public Health Commission (BPHC) in its place. With City Council approval, the legislation allowed the City to merge or consolidate the operations and assets of the hospitals with the Boston University Medical Center Hospital per the following guidelines:

- “(1) ensuring the availability of a full range of primary through tertiary medical programs, in addition to a commitment to public health, preventive, emergency and long term rehabilitative care programs;
- (2) serving both urban and suburban communities in a culturally and linguistically competent manner that strives to meet the current and

changing health care needs of people of all races, languages, cultures and economic classes;

- (3) providing a high degree of medical, nursing, management and technical competency and accountability;
- (4) enhancing its role as a major academic medical center, including support for bio-medical, public health, medical education and basic science research;
- (5) providing managed care services to the communities served by the new medical center and participating effectively and competitively in managed care plans serving the patient population; and
- (6) treating its patients, staff and the communities served with respect and dignity.”

The network links the City's new Public Health Commission with private hospitals, community health centers, the new Boston Medical Center, and community-based organizations and providers. Through this network, the commission offers a myriad of health services, including primary care, specialized services such as AIDS treatment and prevention, communicable disease control, injury prevention, substance abuse services, infant mortality prevention, and ambulance services. In addition, the commission operates the City of Boston's homeless shelter.

The budget should set forth the amount by which, if any, the projected expenditures exceed revenues and the net cost of public health services. If there is a net cost of public health services, the budget is subject to mayoral review and approval. The mayor may approve or reject and return the budget to the BPHC. If the budget is accepted, the mayor shall include the net cost of public services in the City's annual budget and may submit supplementary appropriations as needed. The BPHC must adopt its budget no later than the second Wednesday in June.

### **Classification of City Debt**

Pursuant to the Bond Procedure Act of 1983, all indebtedness of the City, other than certain special obligation bonds, constitutes general obligation indebtedness of the City for which its full faith and credit are pledged and for the payment of which all taxable property in the City is

subject to ad valorem taxation without limit as to rate or amount. Pursuant to the 1982 Funding Loan Act and the Bond Procedure Act of 1983, general obligation bonds of the City may also be secured by a pledge of specific City revenues pursuant to covenants or other arrangements established under a trust or other security agreement. In addition, special obligation bonds of the City may be issued and be payable from and secured solely by a pledge of specific revenues derived from a revenue-producing facility of the City. Indebtedness of the City may also be classified by the nature of the City's obligation for the payment of debt service, depending on whether such debt is a direct obligation of the City or is an obligation of another governmental entity for the payment that the City is indirectly obligated.

### **Direct Debt**

Direct debt of the City consists principally of the City's outstanding general obligation bonds. The City's direct indebtedness does not include the City's Revenue Refunding Bonds, Boston City Hospital (FHA Insured Mortgage) Series B (the Series B Bonds). The Series B Bonds, which refunded the City's Revenue Bonds, and Boston City Hospital (FHA Insured Mortgage), Series A do not constitute general obligations of the City to which its full faith and credit are pledged. The source of payments of principal and interest on the Series B Bonds are payments on a mortgage note for which the Boston Public Health Commission is mortgagor and which is payable from revenues of the Commission and, under certain circumstances, city revenues subject to annual appropriation by the City, with certain investment earnings.

### **Secured Indebtedness**

In addition to authorizing the City to secure its indebtedness with letters of credit, the Funding Loan Act of 1982 and the Bond Procedure Act of 1983 empower the City to secure any of its indebtedness issued under any general or special law by a pledge of all or any part of any revenues that the City received from or on account of the exercise of its powers. Examples include taxes (such as real property taxes), fees payable to or for the account of the City, and receipts, distributions, and reimbursements held or to be received by the City from the Commonwealth that are not restricted by law for specific purposes.

Currently, the City does not have any outstanding bonds secured by such a pledge. The City, however, reserves the right in the future to issue bonds, notes or other obligations secured by various revenues of the City or by letters of credit.

### **Bond Procedure Act of 1983**

In 1983, the City Council passed and the Mayor signed a home rule petition to the state legislature that enacted Chapter 643 of the Acts of 1983 of the Commonwealth. This act, formally entitled the City of Boston Bond and Minibond Procedure Act of 1983, is referred to as the Bond Procedure Act of 1983. Effective January 2, 1984, the legislation modified various procedural restrictions related to the City's issuance of indebtedness. Such modifications provide, among other things, more flexible schedules for repaying debt principal, the issuance of variable rate bonds, term bonds and bonds redeemable at the option of the bondholder, and authorization for the sale of bonds at a discount. The legislation also provides the City with the authority to issue bonds in an amount up to \$5 million in any one fiscal year and notes in an amount outstanding at one time of up to five percent of the prior year's property tax levy. Each bond and note is issued in a denomination less than \$5,000 (known as minibonds and mininotes). In addition, the legislation authorizes the issuance of refunding bonds and grant anticipation notes, as well as restating the investment powers of the City and the extent to which city bonds are legal investments for certain entities.

The Bond Procedure Act of 1983 also reaffirms provisions of state law, indirectly affected by Proposition 2 ½. This law requires that the City's annual tax levy must include the debt and interest charges that are not otherwise provided for as well as all general obligation indebtedness of the City regardless of the date of issue.

In addition to modifications to the procedures related to the City's general obligation indebtedness, the legislation authorizes the City to finance revenue-producing facilities with special obligation bonds payable from and secured solely by a pledge of facility revenues. Under this act, the City may also issue general obligation bonds secured by the pledge of specific city revenues and finance projects that otherwise could be financed by bonds, lease, lease-purchase or sale-leaseback agreements. The Bond Procedure Act of 1983 was



amended in August 1991 to provide, among other things, for increased flexibility in establishing debt principal amortization schedules.

### **Authorization of Direct Debt; Debt Limits**

All direct debt of the City requires the authorization of the City Council and approval of the Mayor. If the Mayor should veto a loan order passed by the City Council, the charter of the City provides that the loan order is void and may not be passed over the Mayor's veto. Authorization of bonds under a loan order of the City Council includes, unless otherwise provided in the loan order, the authorization to issue temporary notes in anticipation of such bonds. Under the Bond Procedure Act of 1983, temporary notes in anticipation of bonds, including any renewals thereof, must mature within two years of their issue dates.

The laws of the Commonwealth provide for a general debt limit for the City (and all other cities of the Commonwealth) consisting of a Normal Debt Limit and a Double Debt Limit. The Normal Debt Limit is 2 1/2 percent of the valuation of taxable property in the City as last measured by the state Department of Revenue. The City may authorize debt up to this amount without state approval. The City may also authorize debt up to twice this amount (the Double Debt Limit) with the approval of the state Emergency Finance Board. As of June 30, 2001, the City had outstanding debt subject to the Normal Debt Limit of \$527.8 million and authorized but unissued, debt subject to the Normal Debt Limit of \$319.9 million. Based on the City's Normal Debt Limit of approximately \$1,146.5 million as of such date, the City could authorize an additional \$398.7 million within its Normal Debt Limit and an additional \$1,345.2 million, within its Double Debt Limit which would be subject to state approval. The equalized valuation as of January 1, 2000 for use in fiscal 2002 and 2003 is approximately \$45.86 billion.

There are many categories of general obligation debt which are exempt from the general debt limit (although authorization of such debt is subject to various specific debt limits, specific dollar limitations or state approval). Among others, these exempt categories include temporary loans in anticipation of current and in anticipation of

reimbursements or other governmental aid, emergency loans, loans exempted by special laws, certain school bonds, and bonds for housing and urban and industrial development. The latter bonds are subject to special debt limits ranging from 0.5% to 10 percent of equalized valuation depending on purpose. On June 30, 2001, the City had \$296.0 million in outstanding debt exempt from the general debt limit and \$415.2 million in authorized but unissued debt exempt from the general debt limit.

### **Related Authorities and Agencies**

In addition to direct and indirect indebtedness of the City, the City and certain agencies and commissions related to the City are authorized by law to issue obligations that are solely a debt of the agency or commission issuing the obligations or are payable solely from revenues derived from projects financed by such debt. Except, as described below, such obligations are not a debt of the City.

The Boston Public Health Commission is an independent corporate and political subdivision of the Commonwealth created in June 1996 as the successor to the City's Department of Health and Hospitals (DHH). Effective July 1, 1996, all powers and functions of DHH and THH (Trustees of Health & Hospitals) were transferred to the commission. In addition, the commission assumed all assets and liabilities of the City allocable to DHH. At its inception, the Commission also assumed responsibility for paying the City an amount equal to current debt service on all outstanding general obligation bonds of the City issued for public health and hospital purposes. Such bonds were outstanding on June 30, 2001 in the aggregate principal amount of \$22.6 million. These bonds are the City's general obligations whose outstanding amount is shown on the City's debt statement. The commission has also assumed responsibility for paying the current debt service on the City's Revenue Refunding Bonds, Boston City Hospital (FHA Insured Mortgage) Series, which were outstanding on June 30, 2001 in the aggregate principal amount of \$145.6 million. The Series B Bonds are not general obligations of the City, but are secured by a mortgage on the former Boston City Hospital campus. Payments of principal and interest on the mortgage are insured

by the federal government through the Federal Housing Administration. The commission expects to meet its mortgage and Series B Bond obligations through a portion of the rent payable to the commission by Boston Medical Center Corporation for its lease of the former Boston City Hospital campus and investment earnings on reserves for the Series B Bonds. Subject to appropriation by the City, under certain circumstances such as default by Boston University Medical Center under the lease, City revenues may be required to satisfy the debt service requirements on the Series B Bonds.

The Boston Water and Sewer Commission (BWSC) is an independent political and corporate subdivision of the Commonwealth created in July 1977. At its inception, BWSC assumed responsibility for the operation of the City's water and sewer systems and for paying to the City an amount equal to current debt service on all outstanding bonds the City issued for water and sewer purposes. All debt service for such bonds has been paid. The City is not obligated on bonds issued by the commission.

The Economic Development and Industrial Corporation of Boston (EDIC) is a political and corporate entity of the Commonwealth consisting of five members who are also appointed as members of the Boston Redevelopment Authority (BRA). EDIC has a variety of powers to assist industrial development projects in the City. EDIC is not authorized to issue debentures in excess of \$5 million secured solely by the credit and properties of EDIC and revenue bonds secured by revenues from the lease or sale of its projects. The City is also authorized to appropriate or borrow monies for EDIC development projects within certain urban renewal debt limitations.

The BRA is a public political and corporate body that combines the City's redevelopment and planning board authority with certain powers of the state Department of Community Affairs. The BRA board consists of four members appointed by the Mayor, subject to confirmation by the City Council, and one member appointed by the state Department of Community Affairs. The BRA provides the planning support for major construction and redevelopment activity in the City. Although the BRA is authorized to issue revenue bonds and notes that are not city debts, the BRA traditionally finances its projects through

a combination of federal and state grants, proceeds of general obligation bonds issued by the City, and revenues from the lease or sale of land.

## **Major Debt Statutes and Borrowing Authority**

Chapter 44, Section 7 of the Massachusetts General Laws permits cities and towns in the Commonwealth to incur debt within the statutory limits of indebtedness described previously for various municipal purposes and identifies the maximum maturity period for each purpose. The purposes include, but are not limited to, the original construction and equipping of municipal facilities, repairs and renovations to existing municipal structures, improvements to parks and playgrounds, reconstruction and resurfacing of roads, roadway and street lighting, and equipment acquisitions.

The Capital Improvements Act of 1966, as amended, permits the City of Boston to issue debt outside the debt limit for various municipal purposes, including new construction and renovation of existing facilities. The legislation provides a specific limit on the total amount of debt that may be issued under the statute.

Chapter 70B of the Massachusetts General Laws provides for the issuance of general obligation debt for certain school projects approved by the State Board of Education under the School Building Assistance program. Under the program, the state reimburses a percentage project costs to the City's General Fund annually.





# Boston's People and Economy





# Boston's People and Economy

## INTRODUCTION

The City of Boston was first incorporated as a town in 1630, and as a city in 1822. It is one of America's oldest cities, with a rich economic and social history. What began as a homesteading community, and eventually evolved into a center for social and political change, has since become the economic and cultural hub of New England.

As the region's hub, Boston is home to over 589,000 residents, many institutions of higher education, some of the world's finest inpatient hospitals, and numerous cultural and professional sports organizations. Boston-based jobs, primarily within the finance, health care, educational, and service areas, numbered over 690,000 in 2000. Millions of people visited Boston in 2001 to take in its historic neighborhoods, attend cultural or sporting events, or conduct business.

The City provides a wide range of programs and services to meet the diverse needs of its many residents and visitors. Under the direction of Mayor Thomas M. Menino, the City is also aggressively pursuing new economic opportunities to ensure Boston will emerge as a global leader in the twenty-first century.

## Boston's Role in the Regional Economy

The City of Boston is the 20th largest city in the United States. The U.S. Bureau of the Census reported Boston's population as 574,283 in 1990 and as 589,141 in 2000. Boston is the center of the 7th largest Consolidated Metropolitan Statistical Area (CMSA) in the nation. As a CMSA, Boston had a total population of 5.8 million in 2000.

In addition to having one of the largest concentrations of population, Boston also ranks among the highest in concentration of employment and income in the U.S. In 2000, Boston supplied 693,647 jobs, or approximately one out of every thirteen jobs in New England. Boston provides

employment opportunities for many people who live outside of the City. The City had 9.3% of the state's population in 2000, but measured in terms of jobs, Boston's economy accounted for approximately 17% of the Massachusetts economy in 2000. In terms of income, Suffolk county, which is comprised of the City of Boston and the towns of Chelsea, Revere, and Winthrop, ranked 44<sup>th</sup> in per capita personal income among over three thousand counties in the U.S. in 1998. Suffolk County is the 74<sup>th</sup> largest county in the United States by population.

The attributes that make Boston such a great city in which to conduct business also make it a great destination for tourists. According to the Greater Boston Convention and Visitors Bureau, an estimated 12.9 million people visited Boston in 2000, up from 11.9 million in 1999. And, while the events of September 11<sup>th</sup> and a national recession have recently reduced visitors to Boston and other tourism and business centers, the City hopes and expects to return to this level of activity in the near future.

Boston is an attractive destination for conventions, meetings, and gate shows. Currently, Boston has three sites for small and medium size conventions: the John B. Hynes Veterans Memorial Convention Center, the World Trade Center, and the Bayside Exposition Center. A fourth convention site, which will be able to accommodate larger conventions, is currently in the early stages of construction.

The new Boston Convention and Exhibition Center will be located on a 60-acre site in South Boston. The plan calls for development of a facility containing more than 500,000 square feet of contiguous exhibition space, as well as ballrooms, meeting rooms, banquet halls, lecture halls, and underground parking. Land acquisition was completed and groundbreaking occurred in the spring of 2000. The convention center is funded by a combination of City and Commonwealth revenue

sources. Construction of this facility along with many new hotel projects in the City will give a significant boost to the local economy and help to position Boston as a world class city of the future.

With travel to Boston so popular in 2000, Boston's hotel market was one of the strongest in the nation. During 2000, Boston hotels had an average occupancy rate of nearly 80%, up from 65% in 1991. With high occupancy levels, prices for rooms had risen steadily. During 2000, the average daily room rate at Boston hotels was around \$200, as compared to \$109.29 in 1991. September 11<sup>th</sup> and national recession have brought challenges to the hotel market with occupancy rates falling to about 72% as of November, 2001 and average daily room rates falling to around \$185.

With normally high occupancy and room rates and the new Boston Convention and Exhibition Center on the horizon, Boston is still attracting new hotel construction. Three new hotels and one reuse representing 644 new rooms were under construction as of December 2001. Fifteen other hotel projects representing a total of 5,158 rooms have requested approval by the Boston

Redevelopment Authority.

## Boston's Changing Economy

The nature of Boston's economic base has changed dramatically over the past three decades. In 1970, manufacturing and trade jobs accounted for 33% of the total economy, while financial and service sector jobs totaled 38%. In 2000, manufacturing and trade jobs accounted for only 16.1% of the total economy while financial and service sector jobs totaled 61.8%. These trends mirror a national movement from an industrial-based economy to a service-based economy.

The City's resident workforce is undergoing a transformation as well. Of the 266,505 people working in Boston in 1970, 45% held blue-collar jobs and 55% held white-collar jobs. In 2000, of 303,752 Boston workers, those holding blue-collar jobs fell to 34%, and those employed in white-collar occupations rose to 66%. The majority of these white-collar jobs are within the finance, health care, education, and other broad-based service industries. (Table 1.)

## Key Indicators of Boston's Economy

		1970	1980	1990	Recent
<b>Population</b>	Total Population	641,071	562,994	574,283	589,141 ('00)
	% Minority Population	18%	30%	37%	50.5% ('00)
<b>Income</b>	Median Household Income	\$7,935	\$12,530	\$29,180	
<b>Education</b>	% High School Graduate	34%	35%	27%	23.8% ('00)
	% Some College Completed	9%	13%	19%	19.2% ('00)
	% College Graduate	10%	20%	30%	38.5% ('00)
<b>Employment</b>	Unemployment Rate (resident)	12.8%('75)	7.8%('83)	8.6%('91)	4.7% (2/02)
	Number of Jobs	576,125	572,078	622,433	693,647 ('00)
	% Blue Collar Jobs	45%	40%	33%	34% ('00)
	% White Collar Jobs	55%	60%	67%	66% ('00)
	% Manufacturing Jobs	11%	9%	5%	4.0% ('00)
	% Trade Jobs	22%	16%	13%	12.1% ('00)
	% Finance Jobs	13%	13%	15%	15.6% ('00)
	% Service Jobs	25%	36%	42%	46.2% ('00)
<b>Real Estate</b>	Office Market Vacancy Rate	2%	1%	15%	4.9% ('3Q'01)
<b>Housing</b>	Median House Price	na	\$71,700	\$174,100	\$352,000 (2Q'01)
	Housing Units	232,400	241,300	250,863	251,935 ('00)
	% Vacant Units	6%	10%	9%	4.9% ('00)
	Condominium Units	na	4,500	33,000	
	% Condominium Units	na	2%	13%	
	Rental Vacancy (Boston Metro Area)	na	na	6%	2.3% ('01)

### Sources:

Boston Redevelopment Authority, Federal Reserve Bank of Boston, U.S. Census Bureau, Massachusetts Division of Employment and Training.

Table 1

The changing needs of a service and information-based economy have increased the demand for a more educated, more highly skilled workforce. In 2000, 82% of the adults in Boston had completed high school, compared to 53% in 1970. A full 38% of adults in Boston had completed college in 2000, compared to only 10% in 1970.

### **Boston's Changing Population**

In a thirty-year span, Boston's population declined from 801,444 in 1950 to 562,994, or by 30%, in 1980. This decline can largely be attributed to families with children fleeing to the suburbs for perceived better schools and less crime. Since 1980, however, the City's population has stabilized. The 2000 U.S. Census records the City's population at 589,141, representing a 2.6% increase over the 1990 population and a 4.6% increase over 1980.

A wide range of ethnic backgrounds and countries of origin can be found in Boston's population. The recent census results confirm that Boston's minority population is now the majority for the first time in history. Boston's rich cultural heritage is also reflected in the diversity of its neighborhoods. Because the Mayor is aware of the fact that many of the people who move to Boston each year come from different cultural backgrounds and have a first language other than English, he has created the Office of New Bostonians. The mission of this office is to strengthen the ability of residents from diverse cultural and linguistic communities to play an active role in the economic, civil, social, and cultural life of the City of Boston.

### **The Role of Higher Education, Health Care, and Financial Services**

Higher education, health care, and financial services play a major role in the Boston economy. An examination of Boston's 36 largest private employers shows 27 are involved in these growing sectors.

Many of the nation's finest research and teaching hospitals are located in Boston, including Massachusetts General Hospital, Brigham and Women's Hospital, Beth Israel/Deaconess Hospital, Boston Medical Center, New England Medical Center and Children's Hospital. There are

a total of 25 inpatient hospitals in the City. The City is also home to the medical and dental schools of Harvard University, Tufts University and Boston University, as well as numerous community-based health centers. In 2000, there were an estimated 96,453 people employed in health services in the City.

Boston also hosts 36 institutions of higher education. Included among the City's universities are some of the finest educational institutions in the country, including Boston College, Boston University, and Northeastern University.

These institutions of higher education have a major impact on the City's economy. Boston colleges and universities enrolled approximately 135,710 students in the fall of 1999. Because many of these students remain in Boston after graduation, Boston's educational institutions are a major source of new highly skilled professionals for the City's work force. Boston colleges and universities add to the economy in other ways as well. From 1991 through 1998, over \$300 million of large construction projects at educational institutions in Boston were completed.

Many of the country's leading financial services firms are located in Boston, including Fidelity Investments, John Hancock Mutual Life Insurance Company, Putnam Investments, and State Street Bank & Trust Company. The City also has the distinction of being the birthplace of the mutual fund industry. In 2000, there were an estimated 107,963 people employed in financial services, insurance, and real estate in the City.

### **Transportation**

A key to Boston's economic health is the City's ability to transport residents, workers, and visitors efficiently and safely to their intended destinations. Boston's public transportation system reaches into all of the City's neighborhoods and is linked to the commuter rail system, connecting millions of people to the central City.

The roadway system provides commuters access to Boston through surface arteries and three limited access interstate highways that connect Boston to the national highway system. Interstate 90, the Massachusetts Turnpike, leads westward from downtown Boston to the New York State border. Interstate 95, the East Coast's principal north-



south highway, connects Boston to New Hampshire and Maine to the north and New York City and Washington D.C. to the south. Interstate 93, another north-south highway, extends from just south of the City to New Hampshire. Major industrial parks and high-technology companies line these transportation arteries.

In 2000, Boston's Logan International Airport was the most active airport in New England, the 18th most active airport in the United States, and the 29th most active airport in the world. In FY00, 27.3 million domestic and international passengers were served at Logan airport by 44 domestic and 14 international airlines. Logan Airport is also very important to the economy as a center for processing air cargo.

The Port of Boston provides New England businesses with excellent deep-water port facilities and access to world ports, as well as feeder service to Halifax, Nova Scotia, and New York. In 1990, the Port of Boston ranked as the 21st largest American seaport by total tonnage shipped. The Port of Boston is also a major cruise ship port, hosting 167,000 cruise ship passengers in FY00.

## **Economic Outlook**

As with any economic entity, the City of Boston has seen good times and bad. During the 1960s, the economy thrived and unemployment was consistently below 6%. In the 1970s, Boston experienced the same pain felt across the country as a national recession took hold.

From 1982 to 1989, a strong economy contributed to significant increases in real estate values in Boston and the surrounding area. Housing prices and rental rates increased dramatically. The 1990-1991 recession reversed this trend temporarily. Positive trends reappeared in the latest expansion between 1992 and 2000, again with strong housing appreciation and commercial building activity. The recession of 2001-2002 seems now to be fading and the City to have escaped serious economic decline due to the mild nature of this downturn.

Since 1992, construction activity in the City had stabilized, and has only very recently begun to fall off. In fiscal 2001, building permit revenues indicated an estimated potential construction activity level of \$3.2 billion in the City. Commercial

rents had risen steadily as the City's office market vacancy rate decreased significantly, from a high of 17.7% in 1991 to 1.5% through the end of 2000 and now up only to 4.9% through third quarter 2001. Even with the current increases in office vacancy rates and the lowered hotel occupancy levels in Boston, developers are still constructing or planning numerous office and hotel projects in the City with only a few delays.

Jobs are still available in Boston. Boston's unemployment rate peaked during 1991 at 8.6% but has declined to 4.2% as of December 2001. This compared favorably with the national rate of 5.8% and the Massachusetts rate of 4.4% that month.

Currently, the City is living with the consequences of the economic downturn throughout the nation, region, and state. Except for state aid that has declined substantially, due to the City's revenue structure, the City is able to weather short economic problems without interruption of basic city services. It is only in the case of a protracted economic event that the City could face revenue issues where services would be affected. It is uncertain whether the nation, state and the City will emerge quickly from recession in the coming year, but in any case the City is ready.

## **Economic Development**

Recent trends indicate that Boston's economy had been growing steadily prior to the 2001-2002 recession, and will return to growth with the nation and state. With the election of Thomas M. Menino as the Mayor of Boston, a new cabinet form of government was established to create greater efficiency and improve the delivery of City services. Within this new structure, a Chief Economic Development Officer (CEDO) cabinet position was created. The CEDO is charged with developing a successful strategy for promoting the economic viability of the City. Two of the major agencies responsible for economic development under this cabinet, the Boston Redevelopment Authority and the Economic Development and Industrial Corporation, have consolidated services to allow for a more coordinated, comprehensive approach to planning and development.

Current public sector projects impacting the Boston economy include the Central Artery/Third Harbor Tunnel project and the Boston Convention

and Exhibition Center. The federal government primarily funds the first project with the Commonwealth covering the rest of the cost and the second is a City/State combined effort.

The Central Artery/Third Harbor Tunnel project is the largest public works project in the country, at a recently estimated cost of \$14.475 billion. It is estimated that this project will have employed 15,000 workers during the peak years of construction (1998 to 2001). When completed, the new depressed Central Artery and Ted Williams Tunnel are expected to alleviate traffic congestion throughout the City, make Logan Airport and East Boston more accessible, and support new development in South Boston.

The development of the Boston Convention and Exhibition Center (BCEC), to include over 500,000 square feet of contiguous exhibition space on a 60-acre site in South Boston, is a joint effort of the City, the Commonwealth, the Boston Redevelopment Authority (BRA) and the Massachusetts Convention Center Authority (MCCA).

The BRA, in charge of site acquisition and preparation, has completed the acquisition and has nearly completed relocation of the tenants, as well as demolition and environmental remediation.

Work by the MCCA has commenced on the design and construction of the BCEC Project. The MCCA has engaged an owners representative, a designer, a construction manager, and has begun qualifying subcontractors. Groundbreaking for construction of the BCEC Project took place in the Spring of 2000. The BCEC Project is expected to be substantially completed by Spring 2004, with initial convention business beginning several months thereafter.

State legislation was passed in 2000 in support of construction of a new Fenway Park adjacent to the existing Fenway Park --- as a City/State/Private collaboration. Subsequent to its passage, a controlling interest in the Red Sox was offered for sale. The Red Sox temporarily set aside the process of obtaining approvals required by the legislation until after completion of the sale. With the sale of the Red Sox completed only recently, the new owners plans have not yet been made public.

There are many other economic development projects proceeding in Boston. These include plans to develop the East Boston and South Boston waterfront districts, further enhancements to Boston's neighborhoods through the Empowerment Zone and Main Streets initiatives, and continuing development of retail and business districts.

Improvements are planned to parks and neighborhoods to connect residents to the waterfront areas. In South Boston, in addition to the new convention center, there are also plans for hotel, retail, and residential housing development to attract new workers and visitors to the area.

Partnerships have and will continue to play an important role in revitalizing Boston's neighborhoods. In January 1999, the City of Boston was designated an Empowerment Zone community by the U.S. Department of Housing and Urban Development. The ten-year Empowerment Zone designation brings with it \$130 million in tax-exempt bonding authority and \$100 million in grants to finance sweeping revitalization and job creation programs.

There are currently 21 Boston business districts participating in the Main Streets Program, a partnership between the City and the National Trust for Historic Preservation. This program has created new businesses and jobs, improved the marketability and business strategy of business districts, and preserved the character of surrounding residential areas.

Another sign of solid investment in retail in the City are the projects underway in the neighborhoods to build new supermarkets and expand others. Other retail projects are completed or partially completed and include retail and theater space at Millennium Place on Lower Washington Street and more retail and theater space at the Landmark Sears Building in the Fenway. Home Depot opened a large store at the South Bay Center Mall, the first inner-city store for the company.

With a diverse economic base and educated work force, strong tourism lure and a ready hotel and office market, a new convention center on the horizon, and safe neighborhoods, Boston is a world class City able to withstand economic change and still be ready for the new millennium.





# Budget Organization and Glossary





# Budget Organization and Glossary of Terms

## Introduction

This Chapter is a guide to the organization of Boston city government and the FY03 Operating Budget.

The City of Boston, incorporated as a town in 1630 and as a city in 1822, now exists under Chapter 486 of the Acts of 1909 and Chapter 452 of the Acts of 1948 of the Commonwealth which, as amended, constitute the City's charter. The chief executive officer of the City is the Mayor. Reelected in November 1997, Mayor Thomas M. Menino is serving a four-year term ending in January 2001. The Mayor has general supervision of and control over the City's boards, commissions, officers, and departments. The portion of the City budget covering appropriations for all departments and operations of the City, except the School Department, and a portion of the operations of Suffolk County, is prepared under the direction of the Mayor.

The legislative body of the City is the Boston City Council, which consists of thirteen members serving two-year terms, of whom four are elected at-large and nine are elected from geographic districts. The City Council may enact ordinances and adopt orders that the Mayor may either approve or veto. Ordinances and orders, except for orders for the borrowing or appropriation of money, may be enacted by the City Council over the Mayor's veto by a two-thirds vote. The City Council may reject or reduce a budget submitted to it by the Mayor, but may not increase it.

## Organization of City Government: The Mayor's Cabinet

Upon election, Mayor Menino implemented a new cabinet structure in the executive branch of city government. The cabinet structure delineates the major functional responsibilities of city government to improve the conduct of executive and administrative business of the City and to

eliminate duplication and waste. The Cabinet presently consists of fourteen cabinet members: Chief of Staff, Chief Operating Officer, Chief Financial Officer, Chief Economic Development Officer, Chief of Education, Chief of Human Services, Chief of Basic Services, Chief of Environmental Services, the two Chiefs of Public Safety, Chief of Public Housing, Chief of Public Health, the Corporation Counsel (the City's chief legal officer), and the Chief of Housing and Neighborhood Development. Reflecting the importance of strengthening Boston's communities and improving livability for residents, the Mayor has formed a new cabinet, Housing and Neighborhood Development.

The structure of the Mayor's cabinet is illustrated in the citywide organizational chart displayed on the next page. A description of the members of the Mayor's cabinet, the City departments for which they have authority, and their individual responsibilities, follows.

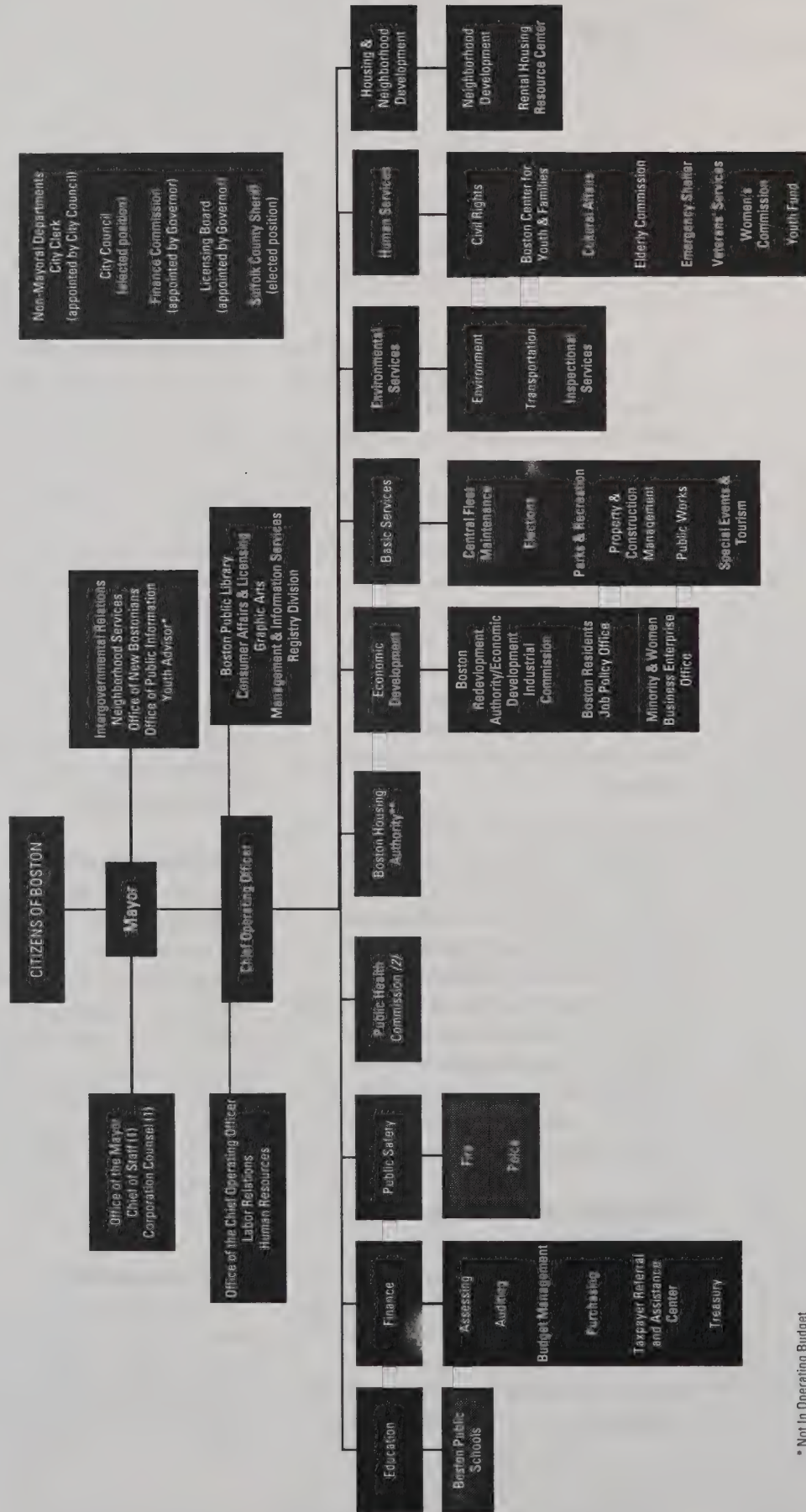
## Chief Operating Officer

The COO is the key individual responsible for the daily administration of the entire city government and directly oversees Management Information Systems, Human Resources (including Workers' Compensation program), Health Insurance, Workers' Compensation Fund, Unemployment Compensation, Graphic Arts, Consumer Affairs & Licensing, the Boston Public Library, Registry Division and Labor Relations. The COO reports directly to the Mayor and is responsible for ensuring satisfactory performance of city managers.

## Chief Financial Officer

The Chief Financial Officer (CFO), who also serves as the Collector-Treasurer, oversees all city financial matters, including the functions of the Treasury, Assessing, Auditing, and Purchasing departments, the Office of Budget Management

# ORGANIZATION OF CITY GOVERNMENT



\* Not In Operating Budget

\*\* Not In Budget

(1) Has cabinet rank.

(2) The Boston Public Health Commission is an independent authority created in June 1996.

(OBM), Pensions & Annuities, Medicare Payments, and the Taxpayer Referral and

Assistance Center (TRAC). The Retirement Board, an independent board under Chapter 306 of the Acts of 1996, now has its expenses funded through investment earnings, but remains part of the Finance Cabinet. The City's Collector-Treasurer is responsible for supervision of the City's Treasury Department, revenue collections due the City of Boston and Suffolk County, management of city borrowings, and city payments, including amounts due on borrowings by the City in the form of either temporary or permanent debt.

### **Chief Economic Development Officer**

The Chief Economic Development Officer is accountable for the planning, development, and marketing functions of the City. The Director of the Boston Redevelopment Authority (BRA) serves as the Cabinet Chief. The Economic Development Cabinet is composed of the Boston Redevelopment Authority/Economic Development and Industrial Corporation (BRA/EDIC), the Office of Minority and Women Business Enterprises, and the Boston Residents Jobs Policy Office.

### **Chief of Education**

The Superintendent of the Boston Public Schools serves on the Mayor's cabinet. Among the Cabinet responsibilities of the Superintendent is the development of a plan for schools and other city and non-city agencies to develop cooperative programs guaranteeing the best possible educational resources for Boston's children. The Superintendent is appointed by the Boston School Committee and serves as the Chief Executive Officer of the Boston Public Schools.

### **Chief of Human Services**

The Human Services Cabinet is responsible for providing social services for Boston's citizens. This cabinet includes the Office of Cultural Affairs, Boston Center for Youth & Families, the Elderly Commission, the Emergency Shelter Commission, the Women's Commission, the Veteran's Services Department, the Youth Fund, and the Office of Civil Rights, which is comprised of the Fair Housing Commission, the Commission for Persons with Disabilities, and the Human Rights Commission.

### **Chief of Basic Services**

Boston's infrastructure and direct-service activities are managed by the Basic Services Cabinet. The Basic Services Cabinet is composed of the Public Works Department, the Parks and Recreation Department, the Property & Construction Management, the Central Fleet Maintenance unit, the Election Department, and Special Events & Tourism. One of the major goals for this Cabinet is investigating opportunities for applying technological innovations to reduce costs and/or improve the delivery of basic services.

### **Chief of Environmental Services**

The Environmental Services Cabinet is made up of the Environment Department, the Inspectional Services Department, and the Transportation Department. Other programs in the Cabinet include the Recycling Program of the Public Works Department, the Open Space Planning and Olmsted System Revitalization programs of the Parks and Recreation Department, and the Grassroots Program of the Department of Neighborhood Development. The Chief of Environmental Services oversees the City's relationships with the Central Artery/Third Harbor Tunnel project, the federal Environmental Protection Agency, the state Executive Office of Environmental Affairs, the Metropolitan Area Planning Commission, and the Massachusetts Bay Transportation Authority (MBTA).

### **Chiefs of Public Safety**

The Public Safety Cabinet includes the Boston Police Department and Boston Fire Department. The Police Commissioner and Fire Commissioner both serve on the Mayor's cabinet. Together, they review opportunities for consolidated and shared resources to provide more efficient public safety services to Boston's communities.

### **Executive Director of the Boston Public Health Commission**

The executive director of the Boston Public Health Commission (BPHC) oversees public health delivery in the City by hospitals, health centers and community organizations, as well as providing the City's emergency medical services.



## **Administrator of the Boston Housing Authority**

The Administrator of the Boston Housing Authority (BHA) serves on the Mayor's cabinet as the Chief of Public Housing. The BHA is an independent authority overseeing public housing developments and senior housing locations throughout the City.

## **Chief of Housing and Neighborhood Development**

The Housing and Neighborhood Development Cabinet is composed of two departments, the Department of Neighborhood Development and the Rental Housing Resource Center. These departments work together to build strong neighborhoods, develop and preserve local businesses, and improve housing stock. In addition, these departments assist people seeking housing, provide shelter and support services, and assist tenants with problem resolution and mediation with landlords.

## **Corporation Counsel**

The Corporation Counsel has supervisory authority over all City attorneys and legal affairs and represents the City of Boston and Suffolk County in litigation. The Law Department provides an array of legal services, including formal and informal opinions and advice to the Mayor, the City Council, the Boston School Committee, and other officials in matters relating to their official duties. The department also represents the same parties in litigation, reviews all city and county contracts, pursues claims on behalf of the City through affirmative litigation, and initiates foreclosure proceedings on tax delinquent property.

## **Mayor's Chief of Staff**

The Mayor's Chief of Staff oversees the day-to-day operations of the Mayor's Office, and responds to requests and critical issues efficiently and effectively. In addition, the Chief of Staff keeps an open, direct line of communication between the Mayor and Boston's communities in pursuing resident concerns. The Mayor's Office includes the Office of the Mayor, Neighborhood Services, Public Information, Intergovernmental Relations, and the Office of New Bostonians.

## **An All-Funds Budget**

FY03 is the fourth year that the City of Boston is presenting a fully integrated budget, including capital, operating, and external funds. Previous to FY99, the City presented separate capital and operating budgets. The capital and operating budgets are now incorporated to show the full level of funds available to departments to fulfill their missions.

The operating budget maintains the day-to-day operations for departments to provide goods and services whereas the capital budget reflects long-term needs and planning for infrastructure development and repairs. The capital budget funds new construction or renovations to existing city-owned facilities (for example, police and fire stations and schools), infrastructure improvements (for example, roads, sidewalks, and lights), and major equipment purchases such as fire-fighting apparatus. The external funds budget describes the projects and programs that the departments will be undertaking in the next fiscal year, which are financed with funding received from the state, federal or other non-general fund sources.

## **Organization of the Budget**

The City of Boston's Program Budget provides a wealth of information related to City services and their associated costs. The Operating and Capital Budgets present recommended resource allocations in terms of personnel, facilities, goods, and services. The budget document also describes the kinds of services provided by city and county departments as well as the levels of services that will be achieved in FY03.

## **The Operating and Capital Budget Document: Organization of the Volumes**

Volume I provides a citywide review of information on the FY03 budget and the context in which it is prepared. Sections include:

- Executive Summary,
- Summary Budget,
- City Council Orders,
- Revenue Estimates and Analysis,
- Innovations in Education,
- FY03 Budget and Performance Goals,
- Financial Management,
- Capital Planning,

- Statutes and Ordinances,
- Boston's People and Economy, and
- Budget Organization and Glossary.

In Volume II, cabinet and departmental budgets are presented, with the departmental budgets organized by cabinet. The cabinet presentation includes cabinet mission and initiatives, followed by a table displaying total operating, external and capital budgets beginning with FY00 actual results through the FY03 budgets.

### **The Departmental Operating Budgets**

Activities and services of the City are grouped into programs for budgeting and management purposes. The operating budget for each department is presented on a program-by-program basis.

A "program" is defined as:

An organized group of activities, and the resources to carry them out, that is directed toward attaining one or more related objectives.

For the purposes of program budgeting and program evaluation, a program can consist of direct services to the public and neighborhoods of the City (police patrol or voter registration), or traditional city staff functions (administrative services or engineering and design).

Some city activities may not be defined as separate programs even though they may be self-contained operations. For example, a fire station is not a separate program although it is a cost center, for accounting purposes, within the Fire Department's Fire Suppression Program.

While these program budgets serve as the basic building blocks of the budget, there are three additional organizational levels above the program level in the budget. The basic budget presentation is modified slightly depending on the structure of a department. The three levels are:

- The Division Level for budgeted units within some departments.
- The Department Level, which includes departments, commissions, and other offices.
- The Cabinet Level, which includes functionally related departments.

### **Description of Organization and Definition of Categories**

This section outlines the structure of information reported within each department and program in the budget. It also defines what is included in the mission statements, services, performance objectives, service indicators, capital expenses, and external funds for FY03.

#### **Department/Division Level**

**Mission statement:** The mission statement is a fundamental statement of purpose.

**Performance Objectives:** These objectives reflect stated goals for which the division or department will be held accountable in FY03 and measured on a monthly basis.

**Description:** This text furnishes a general overview of the department and its responsibilities and lists examples of major services provided.

**Authorizing Statutes:** Statutes and ordinances that create departments as well as endow them with powers.

**Operating Budget:** The operating budget presentation includes a table displaying total operating and external budgets by program beginning with FY00 actual expenses through the FY03 budget.

#### **Program Level**

**Description:** This section furnishes a general overview of the program and its responsibilities and lists examples of major services provided. Added context is often displayed on the demand for services or to illustrate the scope of the department's responsibilities in more detail.

**Program Performance Objectives:** Each program identifies the FY03 objectives by which the department will be measured.

**Program Outcomes:** The outcomes illustrate the intended achievement levels for program objectives in quantifiable terms.

**Selected Service Indicators:** The selected service indicators provide brief comparisons of personnel, funding, and measures of how well the program has performed for FY00 and FY01. It also includes FY02 and FY03 projected service levels, budgeted staff, and funding levels. Service levels may

measure workload, service quality, inputs, outputs, efficiency, or productivity.

In cases where the service level depends on an external factor (for example, the number of tax abatements or building permits applied for), the promised service level reflects the workload that the program is equipped to handle efficiently and effectively.

Programs report levels of service outputs and promised outcome achievements on a monthly basis.

### **Financial Data**

The financial data identifies the major groups and expenditure account codes (for example, Personal Services/Overtime, Supplies and Materials/Office Supplies), the historical expenditures, and the proposed appropriations in these groups and expenditure account codes.

Two financial sheets are provided on the FY03 Operating Budget: Department History by Expenditure Account Code and Department Personnel data.

### **Department History by Expenditure Account Code:**

The expenditure account codes are listed within six expenditure groups. Dollar amounts are shown for:

- FY00 actual expenditure,
- FY01 actual expenditure,
- FY02 appropriation,
- FY03 appropriation, and
- The difference between the FY02 appropriation and the FY03 appropriation.

### **Department Personnel Data**

The personnel data show funding for permanent positions, including existing and proposed positions. All permanent positions are listed by salary grade within the department or division. The total salary request is listed for these positions.

For each position shown, the following information is provided:

Title: The civil service/personnel system job title of the position.

**Grade:** The code for the salary grade of the position.

**Position and Salary Requirement:** These columns are used to show the permanent positions that a department may fill based on available funds and the total funding provided for that title for the fiscal year.

**Total Dollars:** The total dollars for the permanent personnel, shown at the bottom right of the personnel sheet, reflects the amount of funding required to support personnel prior to adjustments. As applicable, this figure is then adjusted by differential payments, other payments, chargebacks, and salary savings.

**Differential Payments:** These payments are for employees who are either in intermittent job titles or who are entitled to extra additional payments based on shift (for example, night shifts). This figure is added to the salary requirements.

**Other:** These figures cover other payments such as sick leave and vacation buyback, and other similar distributions.

**Chargebacks:** These figures are payroll costs to be charged to another fund or appropriation.

**Salary Savings:** This figure reflects savings due to employee turnover. The amount is estimated based on historical experience and subtracted from the total salary requirements.

### **External Funds**

The financial data identify the major groups and object codes of external funds expenditures (for example, Personal Services/Overtime, Supplies and Materials/Office Supplies), the historical expenditures, and the proposed appropriations in these groups and objects. The personnel data show permanent positions, including existing and proposed positions funded with external funds. All permanent positions are listed by salary grade within the department or division. The total salary request is listed for these positions. Program services and projects financed by external funds are also listed by department. Each profile includes a description of the program or project, the source of funding, and the geographic area or citizens benefiting from the program or project.



## Capital Budget

The capital section provides an overview of projects and major initiatives for departments charged with managing facilities and major equipment assets. The dollar amounts are shown for:

- FY00 actual capital expenditures,
- FY01 actual capital expenditures,
- FY02 projected capital expenditures,
- FY03 proposed capital expenditures

The next section reviews departmental capital project profiles, including descriptions of each project scope, the department managing the project, and the status and location of each project. A table summarizes the total capital dollars authorized for project expenditure for not only FY03, but also for future years, as well as whether the source is city authorization or other funding such as federal and state infrastructure grants or trust funds. A listing of actual and planned capital expenditures in comparison to authorized dollars is beneath this table.

## Glossary of Terms

**Account:** A classification of appropriation by expenditure account code.

**Account Number:** The number by which the Auditor categorizes an appropriation. For budget purposes, also known as appropriation code.

**Accrual Basis:** The basis of accounting under which transactions are recognized when they occur, regardless of the timing of related cash flows.

**Allotment:** The amount that can be expended quarterly for personnel as submitted to the City Auditor at the beginning of each fiscal year.

**Appropriation:** The legal authorization to expend funds during a specific period, usually one fiscal year. In Boston, the City Council is the appropriating authority.

**Authorization:** The legal consent to expend funds.

**Baseline Budget:** A budget that describes the funding required for maintaining current levels of service or activity.

**Bond:** An interest-bearing promise to pay, with a specific maturity.

**Bonds Authorized and Unissued:** The portion of approved bond authorizations or loan orders that

have not yet been borrowed for or issued as bonds. Bond authorization available for future bond issues within a City's debt service plan.

**Budget:** A formal estimate of expenditures and revenues for a defined period, usually for one year.

**Budget Amendment:** A change from originally budgeted quotas; the forms filed by departments with the Human Resources Department and the Office of Budget Management to justify these changes.

**Capital Budget:** A plan for capital expenditures for projects to be included during the first year of the capital program also known as a capital spending plan.

**Capital Plan:** A multi-year plan of proposed outlays for acquiring long-term assets and the means for financing those acquisitions. Usually, financing is by long-term debt.

**Capital Improvement:** An expenditure that adds to the useful life of the City's fixed assets.

**Capital Improvement Program:** A multi-year plan for capital expenditures to be incurred each year over a fixed period of years to meet capital needs.

**Cash basis:** A basis of accounting under which transactions are recognized only when cash changes hands.

**Chapter 90 Funds:** A state-funded program for payments to cities and towns for 100 percent of the costs of construction, reconstruction, and improvements to public ways.

**Chargeback:** A method of assessing departments for costs incurred by them for which they are not billed directly. Charges for telephone, postage, and printing are examples. Also, departmental expenditures that can be paid for with external or capital funds.

**Cherry Sheet:** A cherry-colored form showing all Commonwealth and county charges, distributions and reimbursements to a city or town as certified by the state Director of the Bureau of Accounts.

**Collective Bargaining:** The process of negotiations between the City administration and bargaining units (unions) regarding the salary and fringe benefits of city employees.

**Commission:** An appointed policy setting body.



**Community Development Block Grant (CDBG):** A federal entitlement program that provides community development funds based on a formula.

**Computer-Aided-Dispatch (CAD) System:** A network of computers that facilitates the dispatching of emergency Police, Fire, or Emergency Medical Service personnel.

**Credit Balance:** See departmental deficit.

**Credit Rating:** A formal evaluation of credit history and capability of repaying obligations. The bond ratings assigned by Moodys Investors Service and Standard & Poors Corporation are forms of credit rating.

**Credit Transfer:** The transfer of appropriations from one expenditure account code to another within a department; the form used to effect such a change.

**Debit Transfer:** Moving actual expenditures from one expenditure account code to another within or between departments; the form used for such moves.

**Debt Limit:** The maximum amount of debt that a governmental unit may incur under constitutional, statutory, or charter requirements. The limitation is usually a percentage of assessed valuation and may be fixed upon either gross or net debt.

**Debt Outstanding:** The general obligation bonds that have been sold to cover the costs of the City's capital outlay expenditures from bond funds.

**Debt Service:** The annual amount of money necessary to pay the interest and principal on outstanding debt.

**Department:** A major service-providing entity of city government.

**Departmental Deficit:** A condition that exists when departmental expenditures exceed departmental appropriations; also refers to the over-expended amount and credit balance.

**Departmental Income:** Income generated by a specific city department, usually as a result of user revenues applied for services rendered. Parking meter charges, building permit fees, and traffic fines are examples of departmental income.

**Division:** A budgeted sub-unit of a department.

**Encumbrance:** Funds set aside from an appropriation to pay a known future liability.

**Excise:** A tax applying to a specific industry or good. The jet fuel tax and the hotel/motel occupancy tax are examples of excises.

**Expenditure Account Code:** An expenditure classification according to the type of item purchased or service obtained, for example, emergency employees, communications, food supplies, and automotive equipment.

**Expenditure:** An actual payment for goods or services received.

**External Fund:** Money that is not generated from city sources, but is received by an agency, examples are grants or trusts.

**Fiscal Year:** The twelve-month financial period used by the City, which begins July 1 and ends June 30 of the following calendar year. The City's fiscal year is numbered according to the year in which it ends.

**Fixed Debt:** Long-term obligations other than bonds, such as judgments, mortgages, and long-term serial notes or certificates of indebtedness.

**Full Faith and Credit:** A pledge of the general taxing powers for the payment of governmental obligations. Bonds carrying such pledges are usually referred to as general obligation or full faith and credit bonds.

**Full-time Equivalent Position:** A concept used to group together part-time positions into full-time units.

**Fund:** An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources with all related liabilities, obligations, reserves, and equities that are segregated for specific activities or objectives. Among the fund types used by the City are General, Special, Trust, and Capital.

**GAAP:** Generally Accepted Accounting Principles. The basic principles of accounting and reporting applicable to state and local governments, including the use of the modified accrual or accrual basis of accounting, as appropriate, for measuring financial position and operating results. These principles must be observed to provide a basis of comparison for governmental units.

**General Fund:** The fund into which the general (non-earmarked) revenues of the municipality are

deposited and from which money is appropriated to pay the general expenses of the municipality.

**General Obligation (G.O.) Bonds\*:** Bonds for whose payment, the full faith, and credit of the issuer has been pledged. More commonly, but not necessarily, general obligation bonds are payable from property taxes and other general revenues.

**Goal:** A statement, in general terms, of a desired condition, state of affairs, or situation. Goals are long-term and not usually directly measurable without objectives. By establishing goals, the agencies can define their missions and then the methods for achieving those goals.

**Grant Year:** The grant accounting period designated by the requirements of a specific grant.

**Headcount:** The actual number of full-time or full-time equivalent employees in a department at any given time. The headcount will change from time to time as employees are hired or terminated.

**Interest:** Compensation paid or to be paid for the use of money, including interest payable at periodic intervals or discount at the time a loan is made.

**Interest Rate:** The interest payable, expressed as a percentage of the principal available for use during a specified period of time.

**Line Item:** See Expenditure Account Code.

**Massachusetts Water Pollution Abatement Trust (MWPAT):** A statewide revolving fund that commenced operations in 1990 to address necessary environmental actions outlined in the Federal Clean Water Act. This fund revolves by MWPAT issuing large pooled bond issues for various environmental construction projects and then loaning these funds to communities with twenty-year zero interest repayment schedules.

**Mayoral Reallocation:** A transfer of appropriations of up to \$3 million that may be authorized by the Mayor up to April 15 in a given fiscal year to relieve departmental deficits or meet unanticipated financial problems.

**Mission:** A general overview of the purposes and major activities of an agency or program.

**Modified Accrual Basis:** The accrual basis of accounting adapted to the governmental fund type, wherein only current assets and current liabilities are generally reported on fund balance.

sheets and the fund operating statements present financial flow information (revenues and expenditures). Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Expenditures are recognized when the related fund liability is incurred except for a few specific exceptions. All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting.

**Objective:** See Performance Objective.

**Official Statement (O.S.):** The municipal equivalent of a prospectus - history, background of managers, fund objectives, a financial statement, and other pertinent data related to the city's financial condition.

**Operating Budget:** A legally adopted plan for anticipated expenditures for personnel, supplies, equipment and services in one fiscal year.

**Outcome:** A quantifiable, reportable measure of the intended performance objective; reflects the results of a program in terms of impact on the level of need or the problem being addressed.

**Payments-In-Lieu-of-Taxes:** Income to replace the loss of tax revenue resulting from property exempted from taxation.

**Performance Measure:** An indicator of achievement. Measures can be defined for identifying output, work or service quality, efficiency, effectiveness, and productivity.

**Performance Objective:** A statement of proposed accomplishments or attainments. Objectives are short-term and measurable.

**PLOS:** Promised Level of Service, the estimate of the outputs or outcomes being measured, based on the resources provided by the budget.

**Principal:** The face amount of a bond, exclusive of accrued interest.

**Program:** An organized group of activities, and the resources to carry them out, that is directed toward attaining objectives.

**Program Evaluation:** The process of comparing actual service levels achieved with promised results; also refers to assessing, for the purpose of improving the way a program operates.

**Proposition 2 1/2:** A statewide tax limitation initiative petition limiting the property tax levy in

cities and towns in the Commonwealth to 2 1/2 percent of the full and fair cash valuation of the taxable real and personal property in that city or town. The statute also places an annual growth cap of 2 1/2 percent on the increase in the property tax levy.

**Quota:** The planned number of positions that can be filled by a department, subject to the availability of funds. The quota can refer either to specific titles or to the number of personnel in the entire department. The quota of positions will change, from time to time, by means of a budget amendment. The actual number of personnel working in a department at any given time may differ from the quota.

**Reimbursement Grant:** A federal or state grant that is paid to the City once a project is completed and inspected for conformance to the grant contract. The City must provide the full funding for the project until the reimbursement is received.

**Reserve Fund:** An appropriation for contingencies.

**Revenue:** Income received by the City.

**Salary Savings:** For budget purposes, an amount that will be saved from annual turnover of personnel in any department.

**Special Appropriation:** An authorization to expend funds for a specific project not encompassed by normal operating categories.

**Special Revenue Fund:** Used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or sources for major capital projects) that are legally restricted to expenditures for specific purposes. A special revenue fund is accounted for in the same manner as a General Fund.

**STAT:** Statutory accounting and reporting that is adopted by a legislative body of a governmental entity. The method of recording and reporting actual expenditures and revenues within a plan of financial operations that establishes a basis for the control and evaluation of activities financed through the General Fund. When the budget basis and basis of accounting are different, a governmental unit usually maintains its records on a budget basis.

**State Distributions:** All City revenue flowing from the state. Major categories include reimbursement

for loss of taxes, educational distributions and reimbursements, direct education expenditures, general government reimbursements, and other distributions.

**Sub-Program:** A sub-program is defined discretely, for purposes of management. Several related sub-programs may make up a larger program.

**Supplementary/Supplemental Appropriation:** An appropriation that is submitted to the City Council after the operating budget has been approved. Such appropriations must specify a revenue source.

**Tax Exempt Bonds:** Bonds exempt from federal income, state income, or state or local personal property taxes.

**Third Party Payment:** Medical payments, usually from an insurance carrier to a health care provider on behalf of an injured or infirm party.

**Trust Funds:** Funds held by the City in a fiduciary role, to be expended for the purposes specified by the donor.

**Unliquidated Reserve:** A fund established at year-end, used to pay for goods and services received this year, but not billed until next year.















